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Elliott Abrams

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Richard Pipes

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Beyond Willie Horton
Richard B. Abell

In Praise of Corporate Raiders
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Is George Bush Mr. Right?
Mitchell E. Daniels Jr., Donald J. Devine, Pete du Pont, Newt Gingrich, Jack Kemp, Amy Moritz, Phyllis Schlafly, Paul M. Weyrich

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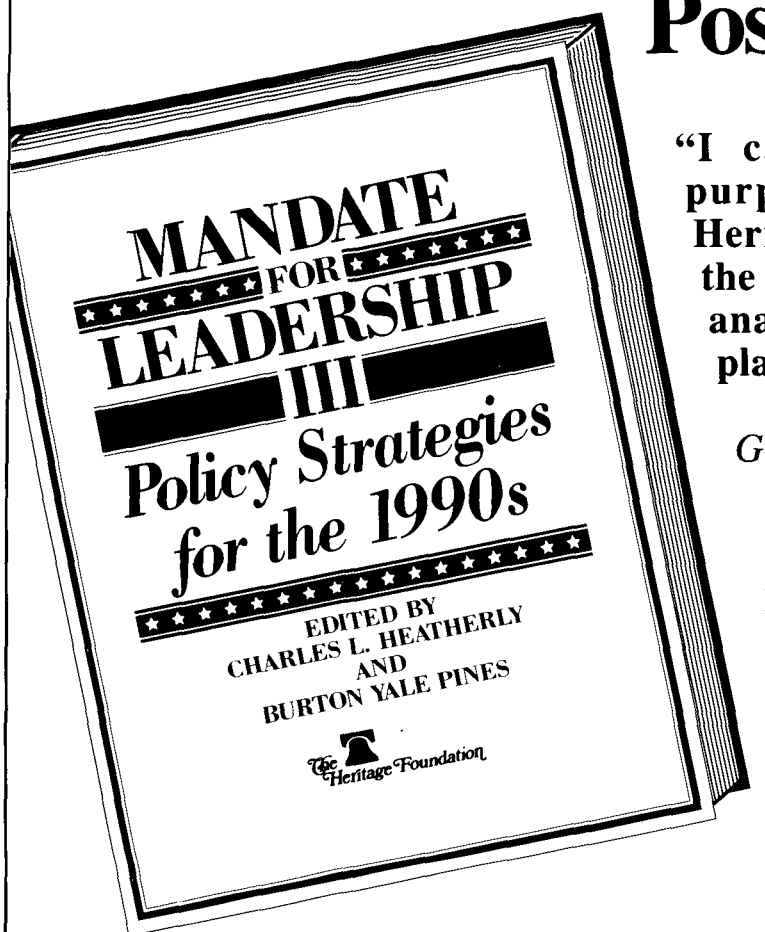

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Foggy Bottom Freedom Fighter

Elliott Abrams Talks Candidly about Reagan Policy in Latin America

An Interview by Adam Meyerson

In October 1988, Elliott Abrams discussed his years as Assistant Secretary of State for Inter-American Affairs with Adam Meyerson, editor of *Policy Review.*

Policy Review: **During the Reagan years democracy has come to Argentina, Bolivia, Brazil, El Salvador, Grenada, Guatemala, Honduras, Suriname, and Uruguay. Chile has held a plebiscite that will probably lead to free elections, and Mexico has enjoyed its most open electoral contest in decades. What are the most important reasons for this wave of democratization, and does it serve U.S. interests?**

Elliott Abrams: There are a number of reasons for the turn to democracy. One of the most important is that the military governments in country after country have failed to produce either social peace or economic progress. It cannot be an accident that one of the longest-lasting military regimes is Chile's. Pinochet's government has lasted in part because it has produced economic gains.

Another reason for the democratic wave has been a clear policy on the part of the United States. President Reagan delegitimized the notion that military dictatorships are the most effective way of fighting Communism. For a very conservative president to take this position has had a deep effect, psychologically and politically, on anticommunists in Latin America, including many military leaders themselves.

Is the democratization good for the United States? Yes. We believe in democracy and want it to spread, and it's easier for us to have a close relationship with a government that shares our values than with one that represses its people or engages in human-rights abuses. In some countries—especially Uruguay, Argentina, and Brazil—there was a fear that the turn to democracy would lead to great left-wing gains. But that hasn't happened. Communist parties in these countries have not been strengthened.

Most so-called Latin experts, by the way, did not predict the move to democracy, and when it happened, they said it was just a swing of the pendulum that would immediately be followed by a swing back to dictatorship. Instead, under eight years of Reagan, there have been zero successful military coups against democratic governments in Latin America. This has resulted partly from luck, partly from deep historical reasons, and partly from U.S. skill in averting coups. In any case, if you look back at the predictions of the leading lights of the Latin American Studies Association, you would find that their claim to be Latin experts is much in doubt.

P.R.: **One of the most prominent exceptions to this democratic wave is Nicaragua. Who is most responsible for the Sandinistas' consolidation of power: the U.S. Congress, the Nicaraguan people, or the leaders of other Latin American countries? In retrospect, what mistakes did the Reagan administration make in seeking Contra aid?**

Abrams: There is plenty of blame to be shared. The largest piece of it unquestionably goes to the U.S. Congress, and in particular to the House Democratic leadership, which put up a fierce, and for the moment a winning, battle to hand Nicaragua over to Communism. Although that was not their goal, that was certainly the effect of their actions.

It is true that the struggle for democracy in Nicaragua has gotten precious little support from other Latin American governments or from the democracies in Western Europe. By now, many of them have seen the light about the Sandinistas, and people who five years ago were still churning out excuses now recognize that Sandinista behavior was, and is, really inexcusable. But many people have desperately wanted to fight U.S. policy, to fight Reagan. As Sandinista oppression and subversion have steadily mounted, these people have felt compelled not to criticize Nicaragua for fear of helping Reagan or admitting that Reagan was right and they were wrong.

This is a very dangerous situation for critics of Reagan to be in, because such people run the risk of becoming apologists for the Sandinistas. They run the risk of having to argue that opponents of the Sandinistas are in fact not real fighters for freedom or democracy, but rather are doing something wrong and ought to stop it. They run the risk of making despicable statements such as those by Jim Wright, who virtually painted the entire Nicaraguan opposition as CIA agents.

The administration made some mistakes, too. But we never made the mistake of misunderstanding the Sandinistas and their goals, and we never made the mistake of not

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knowing what was at stake in Nicaragua. We never made the mistake of abandoning the freedom fighters.

***P.R.:* Do you want to talk about some of those mistakes?**

Abrams: Well, first you can argue that a mistake was made in 1981 in going for covert aid for the Contras. Bud McFarlane took this position during the Iran/Contra hearings, and I think it's a very powerful argument. Going covert usually means that you have inadequate resources, and it gives a kind of taint to your objectives because most Americans believe that there's something wrong with covert activity. Most Americans have the wrong idea about covert activity—they think that if we weren't ashamed of what we were doing, we'd do it publicly, when in fact our reason for secrecy is to protect third parties. As a result of this misunderstanding, when our covert aid to the Contras was publicized, the effort was somewhat tainted. I also suspect that we started aiding the Contras too early, that it would have been better tactically to let opposition build within Nicaragua and to begin working with the armed resistance in 1983 or 1984.

Obviously, it was a mistake to link support for the Nicaraguan freedom fighters with the Iran arms sale. That was a grave error. Had the issue been aired in an appropriate inter-agency forum, so that people had a chance to think about it, it would have been clear that it was a mistake and we would have been able to stop it.

In retrospect, with 20/20 hindsight, you can make a very good argument that after the successful rescue mission in Grenada the president should simply have said, "Look, we have to enforce the Monroe Doctrine; we cannot have a Communist government in Nicaragua," and done whatever we needed to do to get rid of it, including a naval blockade or possibly even an invasion. You can make an extremely powerful argument that we should have been more forceful in our rhetorical justification for Contra aid. We shouldn't have started out by saying our main purpose was to interdict supplies for the Communist guerrillas in El Salvador. Instead we should have said it was to get rid of a Communist government and to permit democratic institutions to grow in Nicaragua.

The justifications we offered for Contra aid changed over time, and were not such as to win the widest possible support among the American people. I think we would have been better off saying in 1981, "We're not going to have another Cuba. We're going to prevent the establishment of another Cuba any way we have to." We should have said this to the American people, to the Sandinistas, and to the Soviet government.

***P.R.:* In retrospect, was the Reagan-Wright plan a tactical mistake?**

Abrams: Reagan-Wright was a tactical mistake in two ways. First, it was an intellectual failing. We failed to realize that this move would stampede the Central American presidents into signing an agreement with the Sandinistas that they might otherwise have thought twice about. We failed to realize that the Central American presidents would so completely accept the principle that all governments in Central America were morally equivalent, and so were all guerrilla groups. The Arias plan has many flaws. Its moral flaw is the attribution of moral equivalence, a proposition so obviously false that we did not think the Central American presidents would embrace it. We failed intellectually, because they did.

Elliott Abrams: We should have done whatever we needed to do to get rid of the Communist government in Nicaragua.

The other failing was political: those who should have had a better sense of Jim Wright, didn't. They thought that Jim Wright would be a good partner, that he would behave as a Texan and a conservative Democrat in the LBJ mold. Instead, he has been one of the leaders of the left-wing caucus of the House Democrats, and has proved to be an impossible person to work with. Wright bet all his money on the Sandinistas and, ultimately, painted himself into a corner where it became critical for him to defend their behavior. The demonstration at Nandaime in Nicaragua last July was the sort of opposition gathering that everyone applauds when it occurs in Poland or Chile. In essence, Jim Wright called the demonstrators CIA puppets, if not CIA agents, which is a despicable thing to say about people marching for freedom. That was the corner he had put himself into by that point, and he put the Nandaime political prisoners and Nicaragua's democratic political opposition at greater risk in the bargain.

***P.R.:* Is bloodshed in Central America likely to increase as a result of the failure to arm the Contras? If so, which senators and congressmen will have the most blood on their hands?**

Abrams: Well, our course can still be reversed. I would strongly urge the next administration to ask for military aid

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"Reagan-Wright was a tactical mistake."

for the Contras. If we abandon the Contras, then yes, absolutely, bloodshed will increase in Central America. I would have thought we learned that lesson in Vietnam. How many times did we hear the argument that if we would just get out of Vietnam then the bloodshed would stop? Well, it multiplied many times over, especially in Cambodia.

If we abandon Nicaragua, there will be a significant increase in violence in El Salvador and Guatemala. The Sandinistas will increase their support for subversion and for Communist guerrillas in the region. When that happens, you can be sure there will be a reaction from the military and from the right, which will also produce more bloodshed.

For the last few years there has been a tacit understanding between the United States and military forces in the new Central American democracies. We have strongly urged them to stay out of politics and government, and to respect democracy and human rights. In return, we told them, we would take care of Nicaragua as a security threat. If we break our end of the bargain now, they will be strongly tempted to break theirs. They will be tempted to take care of their security problems their own way, and to put aside all our lessons about democracy and human rights. That would be a disaster from every point of view, political and moral.

Which congressmen and senators will have the most blood on their hands? I guess I really shouldn't answer that question. Everybody knows who has led the struggle against the freedom fighters. I hope that none of the very horrible possibilities I spoke of comes to pass. I think that the next president and Congress can avoid them. But if, tragically, they should come to pass, I hope that people will remember who it was who started this by abandoning the freedom fighters. I hope the voters will remember that. I particularly hope the voters of Texas will remember that.

P.R.: **Why do so many Latin political leaders privately say they are for Contra aid, and then refuse to come out for it publicly? Why does Mexico support Communist movements that will surely destabilize Mexico if they succeed in Central America?**

Abrams: I really don't blame Latin political leaders for their failure to line up behind us on Central America. It is true that many of them speak differently privately than they do publicly. But there are at least two reasons for them to be extremely careful. The first is that we're not all that reliable. It's one thing to get behind a solid, reliable American program of support for the Contras, it's another to take all the risks entailed, knowing that Congress may reverse itself two weeks later.

Second, for many countries in Latin America, Nicaragua is too far away to be a national security problem. To them, Central America is a domestic political issue. Any Latin political leader who supports us on the Contras is going to pay a very heavy price internally. One South American foreign minister told me that if his government came out in support of the freedom fighters, "Castro would just flip a switch and we'd have the biggest student and labor demonstrations that you have ever seen in my country."

There was also a degree of wishful thinking. At first it wasn't clear to everyone in Latin America that the Sandinistas were just a bunch of Cuban-style Communists. I think it's pretty clear now to just about everybody.

Mexico is a special story. No doubt there's some truth to the old line that Mexico pursues a "progressive" foreign policy in order to buy off Castro and the domestic left. But a good part of the problem is found in the SRE, the Mexican Ministry of Foreign Relations. During the Reagan years, we have often secured excellent cooperation from ministries in the Mexican government such as those dealing with trade, immigration, and finance. But apparently some people in the Mexican foreign ministry think that other ministries have the job of cooperating with the U.S. and they have the job of preventing cooperation with the U.S. That position is obviously based on ideology, not pragmatism, and as Mexico becomes more pragmatic, I would hope that fighting with the United States will no longer be viewed as a worthy foreign policy goal in and of itself.

P.R.: **What does Costa Rican President Oscar Arias think he has achieved with a peace plan that the Sandinistas are failing to comply with? Should he now turn in his Nobel Peace Prize as Henry Kissinger did when the North Vietnamese broke the Paris accord?**

Abrams: I have always believed that President Arias was sincere when he proposed his peace plan. But he was wrong, and his errors have created grave national security problems for Costa Rica. Basically, Arias argued that you could move the Sandinistas better without military pressure, using just economic, political, and diplomatic pressure. President Reagan correctly said that wouldn't work. The greatest movement on the part of the Sandinistas came when they were under the heaviest Contra pressure, and Sandinista repression and subversion have increased since

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this pressure was removed.

Arias always said that the Sandinistas would either democratize in compliance with his peace plan or be unmasked. Now he acknowledges that they are unmasked, and we go back to the same question that President Reagan asked Arias when he unveiled the plan: They're unmasked, now what? Our answer was to strengthen the Contras. President Arias was opposed to that policy, and he still does not have an answer as to what to do about the heavily armed Communist government across Costa Rica's northern border. As of the end of 1988, the Arias plan has failed to advance Costa Rican security interests or the interests of democracy in Nicaragua.

PR.: **Contra military leader Enrique Bermudez has faulted the U.S. for excessive micromanagement of the Contra operations, including U.S. selection of the freedom fighters' political leadership. Is this criticism justified?**

Abrams: Sure, there was excessive micromanagement, and I was one of the people who engaged in it. But I'm not going to go around trying to assess blame, because the Contras were an enormous success. Alan Fiers, the head of the CIA Central American Task Force, did a brilliant job building the Contras into a larger and more effective force. The Contras became extremely good fighters, and they will be again if we support them. Their performance in the field by the end of 1987 far exceeded the expectations of American experts, and if they hadn't been betrayed by the Congress on February 3, 1988, their continued military success could well have brought the defeat of the Sandinistas by now. I'm not talking about a military victory of the classic sort, with tanks rolling into Managua. I'm talking about a general uprising of the sort you saw in Hungary in 1956 or Czechoslovakia in 1968. Popular discontent with Sandinista misrule was—and is—rising. The Resistance was winning battles and gaining support in the countryside. The internal political opposition, while fragmented, was increasingly active. The economic situation was a disaster. All of the conditions for victory were there, and what happened? The United States withdrew its support, abandoning not only the Resistance, but everyone else who might have been thinking about action against the regime. It couldn't have come at a worse time for Nicaraguans.

As for the charge of political micromanagement, you have to remember we were constantly fighting for congressional support. We did pretty damn well, if you consider that in this post-Vietnam period we managed to get Congress to approve $100 million to engage in paramilitary activities against a government with which we have diplomatic relations. That's amazing; it's quite an accomplishment. And we came a lousy nine votes short of doing it again on February 3, 1988. We had a job to do, and we did it. The Resistance had a job to do, and it was doing it extremely well. The blame does not lie in the management of the program, the blame lies in the failure by people in Congress to understand what was going on and where America's interests lay.

PR.: **Would you please comment on the charge by a number of conservatives that U.S. embassy personnel sided openly with the Christian Democrats in the 1984 Salvadoran election and with the "No" vote in the Chile plebiscite. Also, please comment on the related charge that the State Department has focused exclusively on human-rights issues, without sufficient attention to the promotion of market economic policies that will give maximum opportunity to the citizens of those countries.**

Abrams: I think you would have found an interesting division among State Department officials, from the Secretary on down, as to who would have voted yes and who would have voted no in the plebiscite in Chile. But the official commitment of the State Department was to a process, not to a particular outcome. Together with other governments, including Germany and Great Britain, we exerted strong pressure over a long period of time for an honest plebiscite and an open campaign, and we wanted to make sure that the results were respected when it was over. I think we succeeded, and we should be proud of our efforts. A year before the plebiscite it was by no means obvious that there would be an honest and open campaign, and even at the end we had information that some people in the Chilean government were giving serious consideration to avoiding the plebiscite. The government decided to go ahead, and President Pinochet has abided by the results.

I wasn't in this job in 1984, so I won't comment on the Salvadoran election that year. The State Department is trying to maintain a position of neutrality in respect to the 1989 elections in El Salvador, though of course there is no neutrality in our commitment to free elections.

Conservative complaints about the Foreign Service really ought to be directed toward political appointees who are too incompetent to make it respond.

We never focus exclusively on human-rights issues. We have been trying to press the Salvadorans to adopt more market-oriented policies all along. They have not gone nearly as far as we would like, for a variety of reasons, including the fact that President Duarte is no supply-sider and he just doesn't agree with our views. Here is a country that is critical to stability in Central America, that is under Communist attack from guerrillas inside as well as from the Sandinistas and the Cubans. We can't just say, "Well, the hell with you; we'll cut you off," every time the Salvadoran government fails to follow our economic advice.

Nor have we focused exclusively on human-rights issues in Chile. I have often said publicly that Chile has the best economic management in South America, if not both South and North America. We have always pointed out that the human-rights abuses in Chile in recent years were

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"If Chile's successful economic policies become known as Pinochet Economics, they're going to be thrown out when Pinochet's gone. That would be a disaster for Chile."

of a certain level and not a greater level. It is disgusting to compare Chile today to a place like Nicaragua, where the abuses are much worse. But we certainly pushed the human-rights issues very hard, and we were right to do so. In fact, it's important for those who support President Pinochet's economic policies that those policies not be associated too exclusively with Pinochet or with military rule. If Chile's successful economic policies become known as Pinochet Economics, they're going to be thrown out when Pinochet's gone. That would be a disaster for Chile.

***P.R.:* What is likely to happen in El Salvador if the Arena party wins the upcoming elections?**

Abrams: Whoever wins the presidential election in El Salvador, it is important that the U.S. Congress accept the choice of the Salvadoran people. When Arena won the congressional elections in March 1988, some left-wing congressmen here were ready to cut off aid to El Salvador, proving they really have no commitment to the democratic process in Central America. It is demeaning to the people of El Salvador to suggest that they don't have the right to choose a different party and a different economic policy.

At the same time, if Arena wins, it has got to behave as a legitimate government rather than allowing the extreme elements within it to violate the laws of the country. Many of the new faces in Arena—the presidential candidate, Alfredo Cristiani, and the mayor of San Salvador, Armando Calderón Sol—want to take the party in a new direction. But some of the people still associated with Arena are fairly unsavory. If Cristiani wins the presidency, he has to take control of the army and the security forces, and has to enforce the law. If there is a rise in death squad activity, he has to crush it immediately.

***P.R.:* What are the most serious dangers in Panama now? What options does the United States have in confronting those dangers?**

Abrams: I think it is widely known that I advocated stronger U.S. action against Noriega in February, March, and April 1988 than we actually took. I can't really discuss what the administration did and didn't do, though, to be fair, one has to note that some of our current problems go back to President Carter's legitimization of the Torrijos regime. Carter never said a word about democracy and human rights in Panama, and in negotiating and signing the canal treaty, Carter treated Torrijos as a perfectly legitimate partner for the United States. The canal treaties presumed a decent government in Panama with which we could work. Well, there wasn't a decent government in Panama then, and there isn't today. Noriega and his crowd are a dishonest group of drug traffickers, and we cannot deal with them. If Noriega stays in power, corruption and instability will steadily grow, the potential Cuban and Libyan role will increase, and Panama's advanced society—with its service economy, its high literacy rate, and its close ties to the U.S.—will sharply deteriorate. The way to avoid this danger is to get rid of Noriega. Now. I think that we should increase the pressure until that happens.

***P.R.:* Will Mexican President Salinas de Gortari be able to muster sufficient public support to govern effectively?**

Abrams: Most of the pessimists on Mexico have been proved wrong. A lot of people said the PRI was a calcified institution and was not resilient enough to face change. That's been proved wrong. Secretary Shultz said five years ago that Mexico needed more competition in its economic system and more competition in its political system. He was right, and that's what de la Madrid started and Salinas will most likely continue. The Mexicans are joining the GATT, facilitating more imports into Mexico, beginning to open their economy, starting to sell off government-owned companies. Would we like it to be faster? Sure; so would they, probably. But they're starting, they're on the right track.

The opening up of the political system is also to the good. Ten years ago, Mexico had an advanced political system, because in contrast to the rest of Latin America it had a civilian government rather than a military-dominated system. But as the others have moved to more and more democratic systems, Mexico's became more and more outmoded. Now we are beginning to see some change. What will follow remains to be seen. Some Latin experts, for example, have said the PRI has in mind the Congress Party model of India, in which there is a dominant party and a much more open political system than the one Mexico has today. As for garnering sufficient public support, Mexico has a demographically based job problem. It is creating

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only about half the 900,000 jobs it needs to create every year. The economy has to grow. If it does, the government's reform effort will enjoy popular support.

P.R.: **One of President Reagan's first proposals was a common market between the U.S., Canada, and Mexico. With the U.S.-Canada free trade agreement seemingly on track, how important is it to bring Mexico on board?**

Abrams: The U.S.-Canada free trade pact, if adopted, will perhaps make it easier for Salinas to demonstrate that Mexico needs to move ahead toward a more open economy. He could then argue that that is the future for North America, and Mexico will have to become a part of it, or get left behind economically. You can't replicate the U.S.-Canada agreement with Mexico, because Mexico's economy is not sufficiently developed to allow across-the-board free trade. But, we can move to more free trade in particular sectors. There have been more agreements between the U.S. and Mexico under Reagan than under any previous president. With the framework agreement for investment and trade, and Mexico's joining the GATT, the groundwork is being laid for sectoral trade agreements, even if an overall trade agreement of the U.S.-Canadian type is many years off.

P.R.: **Turning away from Latin America, what do you think are the most important foreign policy accomplishments of the Reagan administration? What were the principal failures and missed opportunities?**

Abrams: President Reagan has restored a sense of American strength, vigor, and vitality, based in no small part on our economic performance. He has strongly identified the U.S. with the cause of democracy. He sharply reduced terrorism from Libya. And, I think history will give his defense policy—both the military buildup and the willingness on a few occasions to use force—much of the credit for the changes that are occurring in the USSR. Reagan forced the Soviets into a corner; he forced them to make the hard choices by giving them no easy choices.

The missed opportunities and failures? I would have liked to see Qadhafi go during the Reagan years. I would have liked to see the Sandinistas out of power during the Reagan years. Latin America would be a much more stable place today if the Sandinistas were gone.

P.R.: **What do you see as principal institutional strengths and weaknesses of the State Department? Would you recommend that the structure of the State Department be changed?**

Abrams: Well, the greatest weakness in the State Department is a tendency to define the goal as good bilateral relations with all countries. That's wrong. With some countries, we should not wish to have good bilateral relations. There is an institutional bias toward compromise, when in some cases we ought to want confrontation.

The State Department's strength is that it is a wonderful bureaucracy. I am not using the term as an insult, but in the Weberian sense of accomplishing more or less routinized tasks. The day-in-day-out business of bilateral relations is hard. It requires an immense amount of data and memory about people and transactions, and this bureaucracy has it.

If we abandon the Contras, bloodshed will increase in Central America. I would have thought we learned that lesson in Vietnam.

The State Department employs a great number of absolutely first-rate people, who would succeed in any walk of life, and who, fortunately for the country, have decided to go into the Foreign Service. I have worked with many Foreign Service officers who are simply spectacular public servants. The system and a number of people in it are tremendous national assets.

I don't know that I would change the structure all that much. I have found the Foreign Service responsive to political direction. People did not fight me or undercut me. Often when we complain about the Foreign Service, our complaints really ought to be directed toward political appointees who are too incompetent to make it respond. The appointment process is critical: The president needs people who share his agenda in all top positions, and these people ought to be very good at what they do. Not all of the top positions, by the way, have to be filled by political appointees. Over the past eight years, a number of Foreign Service officers have proved absolutely loyal to the policies of President Reagan, and they ought to be rewarded for that performance.

The department as an institution has shown an inability to defend itself from one of its greatest enemies on earth, the U.S. Congress. Congress has savaged its budget, which is harmful to any president because the State Department is a crucial tool and is much less effective without money. Congress has also intervened in very unfortunate ways in the micromanagement of policy. One thing that the department needs to do is to figure out how to manage relations with Congress better and to defend itself better against assaults from the Hill.

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So You Want to Run an Agency

The Character of Political Management

Donald J. Devine and Jim Burnley

Among the most important decisions a president-elect makes are the ones that will visit him frequently in the Cabinet Room and the Oval Office: his appointments of agency heads. If the president-elect makes the right appointments, he will maximize his chances for success. If he puts the wrong person in charge of an agency, he and his White House staff will waste valuable time dealing with problems that flow from that mistake.

Most presidents-elect spend very little time making these threshold decisions. Suddenly immersed in the ceremonial and policy aspects of the office, and eager to "hit the ground running" after the long ordeal of a presidential campaign, they seldom devote adequate attention to this most fundamental of leadership tasks: choosing a team. The president's personnel choices are far more important than any comparable decisions in the private sector. The federal government is so large and complex that the chief executive must rely upon the judgment of scores of subordinates for the overwhelming number of decisions made during his tenure.

Character, Loyalty, and Competence

In considering candidates for executive departments and agencies, the president-elect need look for only three characteristics and rank them in the proper order. First, does the individual have the character, toughness, and reliability to handle this difficult assignment? The dean of presidential advisers, the late Bryce Harlow, has said that character ranks "number one to ten" in choosing a political leader. Nothing is more important, for the person will be tested, and tested again and again in Washington's trench warfare.

The second question the president should ask is, Will this individual be loyal to me and my agenda? It is impossible for the president to specify the detailed agenda for all of the complex issues in the national government. For this he must delegate responsibility to his top appointees and rely on their judgment. Even the Reagan administration—which, as David Broder correctly noted, came to office with a more complete agenda than any he had seen in his time covering Washington—set the specific agenda for relatively few policies. Loyalty is the cement that binds a team. In making his selection, the president should examine whether the appointee knows what the president has said he wants; whether the applicant for agency head has, in general, agreed with the president's positions in the past, and whether he has a reputation for sticking by his friends.

Third, the president must ask whether the individual has the proper mix of leadership ability, management skills, and program knowledge. He must guard against falling into the trap of appointing someone who has gained program knowledge by spending many years in an industry or field with which the agency has a close relationship. Often such people are the worst appointees because they cannot subordinate loyalty to a special interest group to the loyalty they owe the president. The selection should not be based primarily on technical qualifications, but rather on who is the most qualified of those who meet the first two criteria, character and loyalty.

If the president takes the time to find the answers to these three questions for his top appointees, he will have laid the foundation on which to build a successful administration.

Know Thy Agenda

Being the head of a federal agency is among the world's toughest jobs. Presidents may have "Teflon coatings," but the "grease" will stick to the agency head who does his job. This is inevitable, since a significant part of his job is to deflect the heat from the president. And the heat will come. While the president can play the lion, the agency head must be the fox: He must not only know how to avoid trouble, but also when to confront it in order to persevere.

To perform properly as a presidential appointee, the agency head must know the president's agenda. He must study the president's speeches and writings, the party platform, and the campaign promises. This is time-consuming, but it is impossible to follow the agenda when one does

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not know it. Attempts will be made to foist other agendas upon the agency head—his agency's institutional prejudices, what the congressional overseers want, what the interest groups desire, what "enlightened opinion" as shaped and interpreted by the media requires. The president's agenda should always be kept in the forefront and other agendas looked upon as distractions and obstacles, never as substitutes. Then, as the agency head is buffeted by his environment, he will have the knowledge necessary to keep score. He must keep uppermost in mind: What percentage of the president's agenda have I achieved, or have I set in motion? This is the standard by which the agency head should measure his success in this once-in-a-lifetime opportunity to make a difference.

White House Clerks

The first institution that will test the agency head's mettle is the White House. In light of the priority placed on following the president's agenda and given the instinctive response of any executive to the headquarters chain of command, one would think that a loyal agency head should take direction from the White House. Yet, as with many things in the topsy-turvy world of Washington, the correct approach is counter-intuitive, for the White House staff is not always in tune with the president.

The correct relationship to pursue is the bond between the president and the agency head. The president's staff at times pursues its own interests, not necessarily the president's. That is why all good management practice emphasizes line over staff; in this case, the line is from the president to the agency head. If that works, everything else works. All that the executive office of the president can effectively do is correct errors made in the original selection of agency heads; however, this is never the optimal control device. If the agency head is loyal to the president, he should never be dictated to by the White House staff. Otherwise, every clerk in the White House will feel at liberty to call him and tell him the president wants this or that. Obviously, the wise agency head will remain open to the advice of various assistants to the president, but the final decision is his or the president's to make, not the White House bureaucracy's.

Congress's Achilles' Heel

Congress is, if anything, an even more difficult puzzle to solve. Everyone will advise the agency head of the necessity of having good relations with the members of his congressional authorizing, appropriating, and other oversight committees. The problem is that Congress typically has a different agenda from the president's. Never was it more truly said that one cannot serve two masters. Of course, the agency head must court these most critical centers of power—be nice to them, do what favors he can, answer their letters promptly, generally pay attention to their often prickly personalities. But the president is the agency head's boss and his interests will sooner or later come into conflict with theirs. Therefore, a comfortable distance should be maintained in the relationship with Congress. There must be cordiality, but there will also be inevitable confrontations.

The best defense against Congress is simple: be prepared. Congressmen have almost no time to learn the details of policy; this is their Achilles' heel. If the agency head knows the details, he can use the often-dreaded committee hearing to advance his reputation and his agenda. He should answer courteously, but never back down. The main reason many agency heads are buffeted in hearings or, even worse, choose to stay away and send cowed subordinates as surrogates, is that they are uninformed (or perhaps just cowardly). Good congressional relations, even grudging respect from the strongest opposition, can only be won by being well informed, well prepared, and having the strength of character to face the opposition.

Being the head of a federal agency is among the world's toughest jobs. Presidents may have "Teflon coatings," but the "grease" will stick to the agency head who does his job.

Learning to Love the Fishbowl

Every businessman has been taught how to deal with the media. The standard advice is to keep a low profile, tend to your knitting, and stay out of trouble. While this works in the private sector, the "knitting" in the public sector is the media. Government is essentially a communication business. Ruled and ruler communicate, one nation communicates to another, interests communicate to centers of power, etc. In government, the medium is the message. Keeping a low profile as a government executive means giving up your most important asset, the opportunity to persuade. To be heard in Washington, an agency head must develop a public personality that will help him achieve his agenda. If he becomes a nonperson, Congress and even his own bureaucracy will run his agency for him.

Unfortunately, in Washington's "fishbowl," being a public personality necessarily means that the publicity will be mixed. A media story must have good and bad things to say about its characters, or it does not read well. The bad things will distress one's family, friends, and former business associates. That is why the businessman, as business executive, is correctly advised to stay out of the public's eye. A government executive, however, must swim in the sea of media or become powerless. If the agency head allows his family's and friends' concerns over this bad publicity to dissuade him from action, he might as well go home.

Aloof Respect

The textbooks advise the agency head to build a close personal relationship with the employees of his agency. Yet, they are not really his employees. They are members

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of a permanent bureaucracy who were there before he came and will be there after he leaves. They were selected by Civil Service examinations, not by the agency head. The head needs to befriend those who can be befriended, of course, but he must lead them, maintain a respectful distance and be somewhat aloof, if he is to motivate these independent agents of the bureaucracy into doing what he wants rather than what they want.

Government is essentially a communication business. To be heard in Washington, an agency head must develop a public personality that will help him achieve his agenda.

Many political scientists believe that the agency bureaucracies themselves are formidable lobbying groups for the interests they regulate, more so than any outside group. Since the bureaucracy has an agenda, its primary function is to win over the new agency head to its point of view. The agency head then becomes a symbolic figure, who is manipulated in the interests of the status quo. It is a test of leadership and management acumen for the agency head to get the career sector in the agency to implement his policies rather than vice versa.

Trial-by-Leak

All interest groups—the agency's bureaucracy, those regulated by the agency, potential customers and suppliers, and ideological groups—should be courted by the agency head as potential allies. He must not, however, allow himself to be drawn into their rivalries and petty conflicts, but rather remain above the fray and cast himself in the role of judge rather than player. He must reserve his limited political capital to deal with the primary issues rather than accommodating secondary concerns in building his coalitions. Moreover, interest groups are the most likely to extend perks, gifts, and other favors, which should be avoided like the plague. The agency head must behave like Caesar's wife, even if only for the practical reason that anything he does—or says, writes, or jokes about—may appear on the front page of the *Washington Post* the next morning. In the Washington game of trial-by-leak there are no secrets, no confidences. Integrity, sound judgment, and prudence call for scrupulous actions and a judicial demeanor in the face of all these environmental forces.

The agency head should pay particular attention to certain details that may seem relatively mundane when compared with policy decisions affecting millions of people or billions of dollars. Experience has shown that small matters have tripped the best-intentioned political executives, causing unnecessary embarrassment and personal hardship. Examples include using official vehicles for personal purposes, asking employees to do personal chores or errands, expensive or unnecessary refurnishing of office suites, combining personal and official travel, or misusing the perks of office leading to the appearance of personal gain. It is advisable for the agency head to set up a review and counseling session with his general counsel or designated agency ethics officer to familiarize himself and his management team on the potential pitfalls. This may be somewhat time-consuming, but in comparison to the time spent defending or explaining the appearance of wrongdoing it is a worthwhile investment. These problems can be terribly debilitating and demoralizing, and serve only to detract from the primary goal of implementing the president's agenda.

A Loyal Team

In the same way that the president must rely upon the agency head as his principal subordinate, the agency head must rely upon his political appointees. He must create a loyal team, assign accountability (through such tools as performance agreements), and then reward those who do the job well. This means that the head must personally, as does the president, select his top leaders, both political and career. He must be willing to work with the Presidential Personnel Office (PPO) to select individuals who are mutually acceptable in terms of competence, commitment, and character. But the bottom line in personnel selection is that the agency head should never accept a prospective appointee who does not meet his standards and in whom he cannot have complete confidence.

The White House has every right to monitor how well the agency team performs under the president's criteria, and the agency head should be open to high-level objections from PPO. If the subordinates are not doing their job, ultimately the White House should come after the boss—he is accountable for their performance. All of this is peripheral, however. The essential point is that the agency head should be personally involved in selecting a loyal team of subordinates who can accomplish the president's agenda.

Once the agency's team is in place it is important to create and maintain an *esprit de corps* among the team through regular meetings, briefings, and training programs. The agency head should meet with his entire political team at least once each quarter and with his personal staff at least weekly. The larger the agency and the more numerous its divisions and fiefdoms, the more important such meetings are. Policy briefings by the agency head or senior staff are effective in keeping everyone up to speed and "in the loop." Training programs aimed at improving management skills and effectiveness should be developed around generic themes such as the regulatory process, personnel management, contracts, and public affairs.

Reagan's Managerial Strength

As soon as he is selected, the agency head should begin to assimilate the president's agenda and the agency's own institutional point of view. Both must be understood if the latter is to be brought into line with the former. Here, it is wise to learn from President Reagan. Rather than trying to

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Illustration by Shelly Fischman for *Policy Review*

sort through and follow a great multiplicity of government issues, as did Jimmy Carter, Reagan focused on a few important policies. If the agency head identifies a few very important issues in his area, and uses all his resolve and every available weapon (without transgressing the law or ethical canons), he just might be as successful as President Reagan.

That there is no bottom line, however, means that the agency head must pay much more attention to detail than he did in the private sector. In the private sector, he could keep track of subordinates by looking at cost centers; in government, he must evaluate people in the context of policy (rather than profit-or-loss), and this is often made more difficult by the fact that the real policy is hidden in the minutiae of administering a program, or in the wording of a few phrases in a regulation.

While he must concentrate on relatively few issues, the agency head must know them thoroughly and, in addition, keep a watchful eye on developing policy areas that might become future problems. Public-sector management is much more difficult than private-sector management because it demands a much greater mastery of detail, provides less objective measures of success, tends to focus on a few very complicated issues rather than the agency as a whole, and requires an ability to see behind one's back while looking at a shifting policy horizon.

Jim Watt's Rule

The agency head should rely primarily upon personnel management, rather than overly abstract or objective measures of efficiency. Cost-benefit analysis might be useful on occasion (in fact, it is required in regulatory matters), but the essential task is to comprehend the problem in its entirety, study the political environment, and understand the people involved in the process. To do this, the agency head must talk to those people, even down several levels into the organization, motivate and coordinate those who will help, and maneuver around those who pose a problem. Former Secretary of the Interior James Watt used what he called the "rule of three" to set his staffing policy for a subordinate unit. First, appoint a real leader as the head of the major sub-unit, one who can inspire and motivate. Then, appoint as his subordinate a deputy who has the administrative skills to get the job done. Finally, appoint a third person, who need not possess great technical expertise, whose primary job is to remind the other two why they were appointed: to carry out the president's agenda.

The critical issue for most agency heads is whether they will strive to manage effectively or give in to the environment and just enjoy the perks of office. Of course, this is not unique to government. Andrew Grove, president of Intel, says that managers are paid to elicit better performance, and there is no other way to do so than to assess what good personnel performance is and to measure progress toward that goal: "We managers need to stop rationalizing [how difficult this is] and stiffen our resolve and do what we are paid to do, and that is to manage." Jimmy Carter's one real legacy to government was his Civil Service Reform Act, which provided a technically sound

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performance appraisal system for the entire Civil Service and a pay-for-performance system for managers and executives.

A successful public-sector executive must rely upon such systems. He does not have that private-sector bottom line and therefore must give more attention to these less-than-optimal but nevertheless critical tools. If such management tools are as critical as Andrew Grove believes in a private sector, which has measurable cost centers, they are even more so in a process-oriented environment such as government.

No Bottom Line

Government management fundamentally differs from private-sector management. Decentralized management works in the private sector only because there is a bottom line, a quantifiable profit-and-loss, under which top management can evaluate progress. The underlying problem in government administration is that there is no equivalent, universally recognized measure of performance. Budgets and accounting statements, for example, cannot be relied on as indicators of success by managers of an agency. In fact, they at times give counter-indications and can mislead management. A government budget basically shows how much was spent last year and therefore how much more is "needed" this year because the problem remains unsolved. In other words, budgets are just the instrument by which the permanent bureaucracies in Congress and in the executive branch justify increased funding, no matter how ineffectively the funds may be spent. The only way to redirect the bureaucracy and its self-serving accounting is to build a loyal team that will establish more suitable evaluation systems and criteria to assess progress within the agency, using standards approved by the agency head.

If the agency head is loyal to the president, he should never be dictated to by the White House staff.

Two noteworthy examples of effective management are ACTION, the coordinating agency for federally sponsored domestic volunteer activities, during President Reagan's first term and the Urban Mass Transit Administration (UMTA) during his second. In the former case, Tom Pauken became director of an agency that had been the plaything of the extreme left wing of the Democratic Party. Funds had been distributed with abandon to fringe political action groups, and no attempt had been made to assure that expenditures met either program or legal requirements. By the end of Pauken's first year, he and his team had established and implemented strict criteria, and ACTION's programs had been put back on track.

When the Reagan administration took office, UMTA had no systems in place to require accountability by its grantees. While progress was made during the first term, dramatic improvements began to occur when Alfred DelliBovi became deputy administrator and, ultimately, administrator. Over the protests of many local transit authorities, he refused to disburse additional grants until monies previously made available to grantees were properly accounted for.

The essence of agency management is personnel management through delegation to a loyal team. Its corollary is accountability. With the team in place, and the agenda, goals, and evaluation criteria established, people must be held accountable for progress or lack thereof. This is achieved through periodic reviews and critical assessments of the environment on an issue-by-issue basis. The frequency of reviews will of course depend on the nature of the issue and will vary from daily monitoring to weekly assessments or monthly evaluations. The essential point is to hold individuals accountable in exchange for the authority delegated, taking corrective actions as necessary. A high level of competence should be expected from every member of the management team, and poor performance should be dealt with forthrightly.

Issue Priorities

With a team and management system in place, the agency head can move towards implementation of his agenda. Necessarily, management methods in the public sector will differ from those in the private sector. In the private sector, goals, strategy, and tactics can normally be kept in the family until the desired moment. In Washington's fishbowl, one should assume that everything will be prematurely disclosed unless special steps are taken. Priorities should remain confidential until they are ready to be announced. Only the minimum number of people necessary should be involved, and one should not assume the issues that the internal bureaucracy says are the most critical are necessarily the ones the administration should be pursuing. The bureaucratic perspective may be statistically valid, but the analysis frequently lacks political sensitivity or insight. The agency head must therefore personally set the major priorities and be involved in the creation of the secondary ones. Then, he needs to establish the strategy of when to go public, and periodically revisit his priorities to take advantage of opportunities that present themselves as the environment changes.

Sycophants and Hangers-On

Since the agency head is the president's most valuable asset, it is important to protect that resource. The most important fact to remember is that everything is public, and much of what is public is based on rumor and gossip. A great deal of information is traded on the cocktail circuit, at the ubiquitous "Washington reception," and other informal gatherings, which all feed the rumor mill. Character assassinations are rampant and everyone plays Washington's "gotcha" game.

Political executives will find an army of sycophants and hangers-on (some with powerful friends) but, unfortunately, few trustworthy allies. Even the president will demand much and give little, for he, too, has a job to do and cannot afford for the "Teflon" to be chipped away. This is

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all part of the job. Given this reality, it becomes clear why an agency head must pick loyal people to reinforce and project his own leadership.

Battles with OMB

Unfortunately, the burden on the political executive is increased by the problematic nature of the neutrality assumed to reside in the professional career service. Genuinely "neutral" instruments of government are very hard to find. Everyone is directly or indirectly affected by the government and has a point of view and an identifiable interest at stake. This is especially the case with federal agencies that are under fire for excesses or are targeted for budget cuts. But it also applies to supposedly neutral or nonpolitical institutions—including the General Accounting Office, the Congressional Budget Office, the FBI, the CIA, and even that paragon of professionalism and neutral competence, the career staff at OMB.

Nominally, it is OMB's job to help the president (and his surrogates—the agency heads) cut or control agency budgets. Through the budget process OMB has tremendous impact on agency programs and thereby an agency head's policy agenda. OMB can be an ally on some budget battles with Congress and with a sometimes recalcitrant agency bureaucracy. But OMB is also the agency that will review and "clear" the agency's regulations and all congressional testimony and proposed legislation—"in the name of the president." There will be times when its views will reflect not the administration's position but its own historical prejudices and past experiences. After all, OMB is a bureaucratic institution itself, with institutional memory, and its employees may have scores to settle with an agency. The agency head may therefore find himself caught up in a conflict between governmental institutions, each protecting its authority or "turf."

Since OMB is administratively a part of the Executive Office of the President, disagreeing with it can easily lead to being accused of opposing "the president's position." It takes political astuteness and strength of character to identify the key policy elements involved in the issue and to challenge OMB. The agency head must be able to defend his position in terms of the president's policies—which means knowing the president's position better than the OMB staff. When an agency head experiences a serious policy disagreement with OMB, he should take the issue first to the OMB director, then to the president's chief of staff, and as a last resort to the president himself.

The measures of success in Washington are as varied as the number of power centers and interest groups. Congress, the media, the bureaucracy, the special interests, even the White House, each has its own standards and expectations. There is no safe haven for the agency head in such an environment and the only fallback is personal integrity and strength of character. It is imperative, therefore, that the president select people with these attributes, not only for policy reasons, but for the sake of those he asks to make the tremendous sacrifices that come with public service.

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PAPER PERESTROIKA

Gorbachev and American Strategy

RICHARD PIPES AND THE HERITAGE FOUNDATION TASK FORCE

Mikhail Gorbachev has so far failed to bring about any fundamental or structural change in the Soviet political, economic, or social order. The Soviet Union has yet to do anything as dramatic as China's returning land to the peasants. Economic perestroika exists largely on paper. Despite the expansion of public debate known as glasnost, the Soviet Union is and intends to remain a one-party dictatorship that systematically denies its citizens human rights, political freedoms, and genuine individual economic initiative. The central role of the Communist Party in political, economic, and social affairs has not diminished. Much of what has occurred can be explained as politics rather than policies—a Gorbachev tactic to push out bureaucrats not loyal to him.

The Kremlin still denies the peoples of Eastern Europe the right to national and political self-determination, still supports the puppet Communist regime in Afghanistan, still underwrites Vietnamese occupation of Indochina, and still extends massive security, economic, political, and diplomatic assistance to antidemocratic, Communist, and terrorist regimes and movements. Despite its widely advertised new thinking, Soviet foreign policy's overriding goal so far appears unchanged: relentless pursuit of tactical and strategic advantages, short of direct military confrontation, in a struggle against Western political and economic interests. Neither its production and deployment of military weapons nor its nuclear buildup show signs of slowing or ending. And strident, relentlessly anti-Western—and especially anti-U.S.—disinformation campaigns continue almost unabated in the government-controlled Soviet mass media.

The fluidity of the internal situation means that no firm judgment can yet be rendered on the significance of the Gorbachev era. If positive developments continue and deepen, the limited economic and political liberalization promised by perestroika may in the long run prove beneficial to the U.S. by making the Soviet Union a less repressive and less aggressive state. Open societies or societies preoccupied with domestic economic growth historically have been less interested in aggression and expansionism than have closed societies. A more open Soviet society eventually could discard Communism as a meaningful element of its worldview. In the interim, it might reach the point where government focuses on economic growth rather than the spread of Communism and where, as in China today, state-controlled publications openly state that Marxism-Leninism does not provide all the answers.

A Soviet Union without Communism, of course, would not necessarily be a friend of the West. Nor would it necessarily adopt Western values and institutions, particularly if certain strong radical chauvinist elements prevail. But more likely than not, a noncommunist Russia would be a traditional superpower, a country rather than a cause, and as such would not present a global challenge to the Western world.

Three Scenarios for Gorbachev

The West should recognize that Gorbachev's reforms thus far have stopped far short of being comprehensive, structural, or irreversible. The much deeper changes of the New Economic Policy (NEP) between 1921 and 1928, after all, were reversed completely by Joseph Stalin. The Brezhnev regime snuffed out the pockets of pluralism that emerged during the 1950s "thaw" under Khrushchev. The fierce political infighting among the top Soviet leadership is far from over, and the West would be extremely unwise to base its policy on the premise that Gorbachev will succeed or even survive.

For a Soviet Union ruled by Gorbachev or his successor, three scenarios are possible: first, the Communist Party may prove itself incapable of maintaining its totalitarian preeminence, and Gorbachev may prove a genuine reformer and a pivotal figure of change in Soviet history; second, he may be intending a tightly managed and very limited change, which might unleash forces that then do not follow his plan but rather build a momentum of their own, resulting eventually in dramatic changes in the Soviet Union; third, he may preserve the Soviet system with its repressive mechanisms and expansionist policies intact un-

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RICHARD PIPES, *Frank B. Baird Jr. Professor of History at Harvard University, led a task force composed of Leon Aron, James Jatras, William Kintner, John Lenczowski, Herbert Meyer, Roger Robinson, and Jiri Valenta.* *This article is excerpted from The Heritage Foundation's* Mandate for Leadership III.

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til the next crisis in the system emerges.

The United States must rest not on hopes and possibilities but on current realities. If the United States prematurely acts as if fundamental changes have occurred in the USSR when they have not, it risks its own security and that of the West. The U.S. cannot afford to repeat the experience of the late 1970s when President Jimmy Carter proudly declared that U.S. policy was no longer being conducted on the basis of "an inordinate fear of Communism." Moscow detected U.S. weakness and indecisiveness and pushed hard, reaping gains in Soviet influence worldwide.

U.S. policy must not tempt the Kremlin to renew its expansionist thrust. Reductions in U.S. defense spending and abandonment of the Strategic Defense Initiative would not provide the Soviets with much incentive to make deep nuclear and conventional arms reductions. And U.S acquiescence to paper agreements that leave Communist regimes in full control in such countries as Angola, where anticommunist insurgencies exist, would signal to Moscow the freedom to seek new client states in the Third World. Similarly, Western transfers of militarily useful technologies, subsidized trade, and economic assistance to the Soviet government could temporarily resolve Soviet economic problems, thus weakening pressures on the Soviet leadership to reallocate the resources from the defense sector to the civilian economy, and stifling the forces of democratic reform.

Whatever the final outcome of Gorbachev's policies, he has established a much smoother Soviet international style. Soviet statements now sound less strident, while many Soviet diplomats seem to have attended Western charm school. And Soviet policymakers and advisers know much more about the U.S. than American policymakers and their advisers know about the Soviet Union.

The Reagan Record

When Ronald Reagan took office, Moscow could correctly boast that the "global correlation of forces" had shifted from the U.S. to the USSR. During the 1970s, nearly a dozen Third World countries became Soviet client states: Afghanistan, Angola, Cambodia, Ethiopia, Grenada, Laos, Mozambique, Nicaragua, South Vietnam, South Yemen. Combined with the decade-long cuts in the U.S. military budget and unilateral U.S. "restraint," the Soviet strategic buildup—the largest peacetime arms program in world history—dangerously eroded America's ability to deter Soviet aggression and to protect U.S. allies. In the last year of the Carter administration, the string of Soviet victories and the sense of omnipotence that they apparently instilled in the Soviet leadership prompted the USSR to invade Afghanistan.

The greatest achievement of the Reagan years has been the reversal of this trend by restoring the American national will to face and resist the Soviet adversary. Reagan has affirmed an optimistic view of the future of democratic capitalism and the eventual demise of Communist totalitarianism, predicting in his June 8, 1982, speech to the British Parliament that Communism will be relegated to the "ash heap of history." Reagan's restoration of U.S. military strength reenergized the Western alliance, and the cohesion of the North Atlantic Treaty Organization was strengthened by the deployment of American Pershing II and cruise missiles in Western Europe in the face of a massive Soviet campaign of intimidation. The Declaration of the Williamsburg economic summit in 1983 stressed the global nature of the Soviet threat and called for Western strategic cooperation with Japan.

Soviet advances in the Third World were slowed, halted, or reversed by the application of the Reagan Doctrine in Afghanistan, Angola, Grenada, and Nicaragua. In Afghanistan, the United States won a major geopolitical victory: the Soviet military was defeated on the battlefield by U.S.-backed Afghan freedom fighters, and Moscow was forced to begin withdrawing its troops. As a result, if the Soviet troops are withdrawn completely, Moscow will have been deprived of a strategic stepping-stone to the Persian Gulf; Soviet ability to meddle in Pakistan and Iran will have been greatly diminished; and the Brezhnev Doctrine proclaiming the irreversibility of Communist gains will have been discredited.

Gorbachev's perestroika must be paralleled by a perestroika of the way the U.S. deals with Moscow.

War of Ideas

The Reagan administration also has taken measures to reduce the flow of advanced technology and capital to the Soviet Union and its clients. The U.S. convinced its allies to agree not to subsidize interest rates on credits to the Soviet bloc. The Soviet drive to dominate the West European energy market was resisted by establishing a ceiling on Soviet natural gas deliveries to Western Europe. The flow of sensitive Western technology to the Soviet Union has been slowed significantly by the increased effectiveness of the West's Coordinating Committee for Multilateral Export Controls (COCOM).

In the important war of ideas, the Reagan administration has responded to the Soviet ideological offensive by launching the National Endowment for Democracy to help develop, disseminate, and consolidate democratic ideals and institutions. The administration has used the Helsinki review conferences to publicize Moscow's systematic disregard of the human-rights obligation that the USSR assumed by signing the 1975 Helsinki Final Act.

In arms control, the Reagan administration has set an important precedent and established a new paradigm of negotiation with the Soviets: patience, refusal to make preemptive concessions, willingness to let the Soviets break off negotiations, insistence on intrusive verification, and insistence that strategic defense not be a bargaining chip.

The Reagan administration's policies and attitudes have helped establish the conditions for Soviet domestic political relaxation and economic reform. By refusing to make

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unilateral military concessions, by launching the Strategic Defense Initiative (SDI), by confronting the Soviet Union in the Third World, and by refusing to bail out the Soviet economy, the U.S. narrowed Soviet options, thus making reform more likely. In a sense, Ronald Reagan may have created Mikhail Gorbachev.

Yet, huge problems remain unresolved. Arms control again has been allowed to take the center stage in U.S.-Soviet relations at the expense of the much more fundamental issues of Soviet human-rights violations and Soviet support of radical antidemocratic and anti-American forces. Rewarding the Soviet Union by returning the Soviet spy Gennadi Zakharov in exchange for the American journalist Nicholas Daniloff, who was arrested in Moscow in 1986 on trumped-up charges, confused the U.S. public and weakened a very strong public consensus against the Soviet action. And, in public diplomacy, the administration too often has yielded the momentum to the Soviet Union by allowing it to take credit for arms control initiatives originally proposed by the U.S. such as the "zero-zero" option, the principle of weapons reduction, and on-site inspection.

President Bush should begin by calling the Soviet Union what it is—the last colonial empire in the world.

Perestroika at Home

In dealing with the Soviet Union, President Bush should be guided by four broad objectives:

- Reducing the Soviet military threat to the West by maintaining strategic stability through a powerful and credible deterrent to aggression.
- Encouraging Moscow and its client states to pursue domestic and foreign policies more compatible with Western security and values.
- Prevailing in the public-diplomacy competition with the Soviet Union for West European public opinion—a contest that the Soviet Union wages daily with the help of its enormous propaganda apparatus, front organizations, and disinformation campaigns.
- Resisting Soviet expansion in the Third World.

In this period—possibly the first true crossroads for the USSR since Stalin's "revolution from above" in the late 1920s—Gorbachev's perestroika must be paralleled by a perestroika of the way the U.S. deals with Moscow.

For years, U.S. decision-making machinery for dealing with Moscow had been developed and premised upon a Kremlin led by unimaginative people with few diplomatic skills. U.S. experience had been that important Soviet decisions were made with agonizing slowness. This is no longer the case. U.S. policy machinery now must be changed to deal with a more flexible, faster-moving Kremlin. As yet, there has been no single center inside the executive branch that monitors Soviet global policy and seeks to develop an integrated and comprehensive U.S. response. To enable the U.S. to design, execute, and create a flexible policy toward the USSR, the new administration should create the position of Deputy National Security Adviser for Soviet Global Affairs and an Office of Soviet Global Strategy at the State Department.

In addition, the new president needs a comprehensive plan to guide his administration in dealing with Moscow. The president should request that the National Security Council, in consultation with appropriate departments and outside analysts, prepare a National Security Decision Directive (or its equivalent) that specifies:

- *Criteria for evaluating change.*
- *Objectives of U.S. policy toward the Soviet Union.* The directive should state clearly whether the U.S. goal is just to contain Soviet expansionism, to encourage a dissolution of the Soviet empire, to spur a more open society within the USSR, to overturn the Bolshevik revolution itself—or a combination of any of these.
- *The assumptions underlying U.S. policy.* Underlying premises are crucial to a coherent policy. Is it assumed, for example, that there is a connection between Soviet domestic reform and a less aggressive Soviet international policy or that domestic reform would lead to reductions in Soviet military spending?
- *Priority issues for U.S. policy.* In reality, an approach that pursues all issues pursues none. The directive should spell out the most important Soviet policy issues that the U.S. seeks to resolve, and policymakers then should focus on these priorities.

Guidelines for the policy should be developed by the Deputy National Security Adviser to the President for Soviet Global Affairs in extensive consultation with the allies and announced by the heads of state of the major industrial democracies at the next economic summit.

Criteria of Change

The U.S. must be able to distinguish between different types of Soviet changes: Potemkin village-style artificial changes designed to deceive the West; real changes that are either marginal or can be reversed easily; and fundamental changes that alter the nature of the Soviet system. U.S. policies should be different in each case. In all cases, however, the U.S. should not take actions that would allow Moscow to avoid fundamental reforms in its domestic and foreign policies.

In Soviet foreign and defense policies, the criteria of true change must include: significant reduction in Soviet military and economic support of aggressive, anti-Western, totalitarian regimes such as Angola, Afghanistan, Cuba, Ethiopia, Nicaragua, and Vietnam; unilateral asymmetrical cuts in Soviet conventional forces in Central/Eastern Europe; and consistent decline in Soviet military appropriations over a period of several years.

In Soviet domestic affairs, the criteria of real change must include: release of all political prisoners; elimination of the Criminal Code articles under which political dissidents have been convicted in the past, such as articles 70 and 190-1 of the Criminal Code of the Russian Republic; unrestricted travel and emigration; de facto, if not formal,

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decollectivization of agriculture through the transfer of collective farm land to peasants, as has been done in China; creation of an independent judiciary; end of state interference in religious affairs and freedom of religious instruction for children; legalization of independent publishing; and termination of anti-American propaganda in the Soviet media.

Last Colonial Empire

Like its predecessor, imperial Russia, the Soviet Union is a multinational empire. Great Russians are barely one-half of the population and are likely to become a minority by the year 2000. To win the non-Russian nationalities' support in his bid for power, the Bolshevik leader Vladimir Lenin conceded them the right to secede and form national sovereign states. By 1922, however, Lenin used military force to bring them back into the fold. The problem continues to simmer, as demonstrated by the recent outbursts of nationalist sentiment in Armenia and the increasingly vocal demands in the Baltic republics for economic, if not political, independence from Moscow.

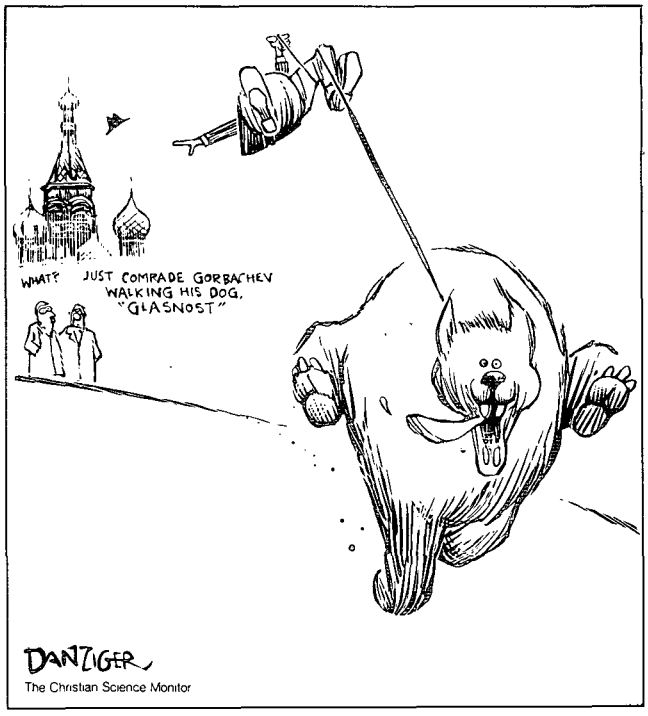
The new administration must devise a long-term strategy for the decolonization of the inner Soviet empire—the Soviet ethnic republics. President Bush should begin by calling the Soviet Union what it is—the last colonial empire in the world. Then he should offer moral and other appropriate support to the anticolonial, national-liberation forces inside the Soviet Union. The backing that the U.S. would receive from half of the Soviet population would far outweigh a predictably negative official Soviet reaction. The president should order the Deputy National Security Adviser for Soviet Global Affairs to coordinate the strategy for Soviet nationalities.

Expanding Radio Liberty

Radio Liberty was created by the U.S. government in 1953 to broadcast news about the USSR into the USSR in Russian and other languages of Soviet citizens. Based in Munich, West Germany, Radio Liberty prevents the Soviet Union from isolating its people from the rest of the world, and more important, tells them what is happening in their own country, thereby breaking the Kremlin's information monopoly. Radio Liberty needs $40 million for technical modernization. An additional $10 million is required for the planned expansion of broadcasts in the languages of the Soviet Central Asian Republics (Kazakhstan, Kirghizia, Tadzhikistan, Turkmenia, and Uzbekistan) from the current daily level of one to two hours to five to six hours. In addition, Radio Liberty will require $225 million to build its planned transmitting station in Israel to improve reception in Armenia, Azerbaijan, the Central Asian Republics, and Central Russia. The new president should push for this funding.

Low-Key Summits

Summitry with totalitarian regimes has rarely, if ever, served to enhance Western security. The 1945 Yalta summit gave a green light to Sovietization of Eastern Europe, and the Brezhnev-Nixon summits in 1972, 1973, and 1974 heralded an unprecedented Soviet strategic arms buildup and expansion in the Third World. Whenever a democratically elected leader of the Free World meets with the unelected ruler of the Soviet totalitarian empire, the inevitable outcome is an image of what experts call moral equivalence, that is, treatment of Western democracy and Communist totalitarianism as if they were equally legitimate political systems. This confuses the American public, distorts public perception of the USSR, prompts outbursts of euphoria, and weakens the defense consensus in the U.S. and the West in general. As such, the mere occurrence of a summit is a huge public diplomacy victory for Moscow. Since summits effectively impose arbitrary deadlines on negotiating agreements, U.S.-Soviet summits often cause the U.S. to make damaging concessions to meet the deadlines.



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Since public pressure for summitry is unlikely to abate, the new administration must seek ways to avoid possible damage. U.S.-Soviet summits should become low-key, brief annual consultative meetings, convened solely for the purpose of making wide-ranging presentations and reviews of the countries' positions on human rights, regional, bilateral, and arms control issues. The summit should become as routine as the once riveting but now ordinary semiannual summits of the West German and French leaders and of the seven democratic industrial powers.

Building on Jackson-Vanik

The 1974 Jackson-Vanik and Stevenson amendments tie the tariff treatment received by Soviet goods and U.S. Export-Import Bank credits to freedom of emigration from the USSR. These amendments, which passed Congress by huge majorities, remain symbols of America's commitment to human rights, especially the right to emigrate. These amendments have influenced the emigration policies of the Soviet bloc regimes, including those of the Soviet Union itself.

Building on the success of and bipartisan support for the

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Jackson-Vanik and Stevenson amendments, the new administration should work to extend the list of conditions for expansion of economic relations with Moscow to include compliance with other provisions of the 1975 Helsinki Final Act. The new president should reaffirm publicly the U.S. linkage of human rights and trade with the Soviet Union and make sure that there are no voices in the administration advocating the weakening or elimination of the amendments.

Initiatives for 1989

• **Create the position of Deputy National Security Adviser to the President for Soviet Global Affairs.** U.S. policy toward the Soviet Union has been left largely to the State Department with only occasional pre-summit or crisis-management involvement of the White House. A more forceful and direct White House involvement is necessary. President Bush should name a Deputy National Security Adviser to serve as his principal adviser on Soviet affairs. He or she would help develop broad long-term U.S. strategy, coordinate various bureaucracies, and supervise execution of the president's decisions.

The U.S. must distinguish between Potemkin village-style changes designed to deceive the West and fundamental changes that alter the nature of the Soviet system.

• **Create an Office of Soviet Global Strategy at the State Department to be headed by a Counselor to the Secretary of State.** Despite abundant evidence that the Soviet Union and its allies and clients constitute a well-coordinated world alliance, the State Department continues to be structured along 19th-century geographical lines. As a result, Soviet activities in Afghanistan, Asia, and the Pacific, and Soviet links to terrorists or the drug trade fall outside the Soviet desk's range and are handled by many different and uncoordinated regional desks and bureaus. This structure impedes execution of a well-integrated, timely, flexible, and vigorous U.S. policy toward the USSR. The existing Office of Counselor to the Secretary of State should be renamed Office of Soviet Global Strategy; the Counselor should become the principal adviser to the Secretary of State on Soviet global foreign policy. The office would analyze trends and patterns of Soviet global behavior and develop and coordinate long-term regional strategies. It would provide the Deputy National Security Adviser to the President for Soviet Affairs with information and recommendations.

• **Respond to Central/Eastern European crises.** Another period of turmoil in Central/Eastern Europe is very likely, given the region's rapidly deteriorating economic situation, the deepening legitimacy crisis of the ruling Communist parties, and the confusing signals from Moscow. The situations in Hungary and Poland are especially unstable. President Bush should appoint and convene an Interagency Task Force on Central/Eastern Europe to be chaired by the Deputy National Security Adviser for Soviet Global Affairs and include on it representatives of the National Security Council and the Departments of State, Defense, Commerce, and Treasury. As soon as possible, the task force should recommend to the president possible U.S. diplomatic, economic, political, and military responses to crises in Central/Eastern Europe. Such responses could be: a declaration by the heads of NATO nations condemning a Soviet invasion; coordinated economic sanctions against the Soviet Union in the case of a Soviet intervention; a recall of Western ambassadors from the Soviet Union; various degrees of military alert of the NATO forces; and coordinated Western actions at the United Nations. The president should discuss these options with America's allies and establish a mechanism for a swift, coordinated allied response to a crisis in Central/Eastern Europe.

• **Strengthen Western economic security.** At the time of activist and imaginative Soviet strategy with respect to Western financial and trade markets, the U.S. should take the lead in strengthening Western economic security. Among possible steps, the U.S. should: focus allied attention on "untied" (*i.e.*, cash) loans to the Soviet Union by Western financial institutions; reaffirm the 1982 Allied Agreement prohibiting government subsidization of loans to the Soviet Union; further reduce transfers of sensitive technology to the Soviet bloc; and maintain Western energy independence by reaffirming the limits of Soviet gas exports to Western Europe.

• **End subsidized grain sales to the Soviet Union.** The sales of U.S. wheat to the Soviet Union, suspended after the Soviet invasion of Afghanistan, were resumed by the Reagan administration. While there should be no barriers to commercial grain sales to the USSR, the wheat now sold to the Soviet Union is at prices lower than those paid to farmers by the U.S. government. The difference is made up by U.S. taxpayers, as every 6,000 bushels of grain sold to the Soviet Union costs American taxpayers $4,722.

Long-term grain sales contracts are fraught with the danger of creating a sector in the U.S. economy heavily dependent on Soviet trade orders. If continued at all, grain sales to the Soviet Union must be without U.S. government mediation or subsidies. The new president should direct the Secretaries of Agriculture and Commerce to recommend how the U.S. can end all U.S. government subsidies of grain sales to the Soviet Union.

• **Enforce the prohibition on importing Soviet goods made with prison labor.** Section 307 of the 1930 Smoot-Hawley Act prohibits importation into the U.S. of any product made with prison labor. Determining whether a particular import item is made with prison labor is the responsibility of the U.S. Customs Commissioner. In 1983, the Customs Commissioner ruled that several Soviet products fell into this category. Among them: tea, aluminum, and chocolate. The Customs investigators produced eyewitnesses who confirmed the commissioners' findings. It was established, for example, that 39 Soviet aluminum mines and manufacturing facilities were within short dis-

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tances of Soviet prisons and labor camps. During 1986 and 1987, over $45 million worth of aluminum products was imported into the United States. Proposals to ban these imports were opposed by the State and Treasury Departments. President Bush should end this violation of U.S. law by directing the Secretary of Treasury to review the accumulated evidence of Soviet prison labor production and, based on Treasury's recommendations, ban the offending Soviet imports.

• **Oppose new U.S.-Soviet communications agreements should Moscow resume foreign broadcast jamming.** Renewed Soviet jamming of Radio Liberty would violate the Helsinki Final Act signed by the Soviet Union. The proposed Interagency Committee on U.S.-Soviet Exchanges, or if it is not created, the Director of Soviet and Eastern European Affairs at the National Security Council, should recommend U.S. sanctions against the Soviet Union if Radio Liberty jamming resumes. Sanctions could include reducing the number of official Soviet visitors to the United States and denying visas to well-known Soviet propagandists.

• **Create a Foreign Exchange Reserve Fund for Radio Free Europe/Radio Liberty (RFE/RL).** Over 70 percent of RFE/RL's operating expenses are in West German marks. Thus when the value of the dollar relative to the mark decreases, as it has since 1985, RFE/RL requires emergency supplemental appropriations. In 1987, $33 million had to be requested. To avoid the uncertainty of a fluctuating mark and the delay in obtaining funds by emergency appropriations, a permanent Foreign Exchange Reserve Fund of $100 million should be created.

• **Introduce a new weekly program in Voice of America broadcasts to the Soviet Union.** By using the Soviet media to malign relentlessly U.S. political, social, and economic institutions, the Kremlin seeks to keep instilling in the Soviet people fear and hatred of the United States. A distorted picture of American reality, moreover, makes the U.S. a less appealing model at a time when many Soviets are calling for real reform. As an antidote to this Soviet disinformation campaign, the Voice of America should launch a weekly program, perhaps entitled "What Soviet Newspapers Are Saying about the United States." It would review articles about the U.S. in major Soviet newspapers and calmly and factually refute the lies and distortions in them. Soviet audiences yearn to hear the truth about U.S. social, political, and economic achievements, but they have been disappointed by VOA's inexplicable unwillingness to provide it. The competition provided by this new program might prod Soviet "journalists" to be somewhat more truthful in their portrayal of the United States. Competition with Western broadcasts, after all, has dramatically improved the accuracy and timeliness of the Soviet media's coverage of Soviet domestic affairs.

• **Set goals for U.S. participation in the Helsinki process.** Helsinki review conferences, originally intended to examine how countries had complied with the Helsinki Final Act of 1975, have deteriorated into diplomatic exercises that paper over Helsinki treaty violations by the Soviet bloc in an effort to reach consensus. As a result, the conferences blur the differences between Western democracies and Communist dictatorships and strengthen the perception that the two are morally equivalent. The main value of these conferences is the opportunity to publicize the human-rights records of the treaty signatories. Whether this justifies continued U.S. participation in these long conferences is something that the new administration should determine. The Deputy National Security Adviser to the President for Soviet Global Affairs, the Senior Adviser to the President for Public Diplomacy, and the Assistant Secretary of State for Human Rights Administration should set criteria by which the benefits of U.S. participation could be assessed. If the U.S. continues attending Helsinki review sessions, it should be only to serve specific goals set by the new administration.

Reuters/Bettmann Newsphotos

Protest in Armenia. The Bush administration must devise a long-term strategy for the decolonization of the inner Soviet empire.

• **Place strict conditions on U.S. participation in a "human-rights" conference in Moscow.** The Soviet Union has been insistent on hosting a human-rights conference in Moscow. The aim is clear: to create an image of the Soviet Union similar to that of any other nation that has just a few "routine" human-rights problems. Until the USSR stops violating substantially its citizens' human and political rights, U.S. attendance of such a conference without preconditioning would hand the Soviet Union a major propaganda victory and demoralize Soviet-bloc human-rights activists.

• **Create an interagency summit planning group at the White House.** U.S.-Soviet summits require early and careful public diplomacy planning. In the past, such planning has been hindered by the absence of institutionalized procedures for interagency coordination. The group should include representatives of all foreign policy agencies—Commerce, Defense, State, USIA—and be chaired by the Senior Adviser to the President for Public Diplomacy. The new president should make it clear that the Senior Adviser, not Cabinet department representatives, is in charge of

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overall planning. Summit preparation should: establish what objectives the U.S. is trying to achieve by going to the summit; indicate major public diplomacy themes in support of these objectives; gauge Soviet objectives, themes, and tactics; analyze the anticipated public opinion impact of U.S. themes; produce a detailed and extensive plan of public diplomacy actions focused on foreign media and opinion elites; and select, train, and brief U.S. officials to be sent to the summit location before the meeting to provide background information to the press on the U.S. agenda and goals for the media.

• **Create an interagency committee on U.S.-Soviet exchanges.** There now is almost no policy or interagency coordination of U.S.-Soviet scientific, technological, educational, or cultural exchanges. No one is responsible for defining what the U.S. seeks to achieve through such exchanges. The new president should create an Interagency Committee on U.S.-Soviet Exchanges under the auspices of the National Security Council, composed of representatives of the Departments of Commerce, Defense, and State, USIA, and the FBI. The committee should be chaired by the Deputy National Security Adviser to the President for Soviet Global Affairs, or if this position is not created, by the National Security Council's Director of Soviet and Eastern European Affairs.

Western economic assistance to the Soviet government could temporarily resolve Soviet economic problems, thus stifling the forces of democratic reform.

• **Establish more stringent conditions for new U.S.-Soviet cultural or scientific agreements.** U.S.-Soviet cultural and scientific exchanges have done little to correct the glaring imbalances in this area. Americans, for example, have unrestricted access to Soviet newspapers, periodicals, and books; the Soviet people, by contrast, have virtually no access to U.S. publications. Soviet spokesmen appear often on American television and op-ed pages of newspapers; American spokesmen almost never have a similar chance of addressing the Soviet people. In 1987, ten times more Americans visited the Soviet Union than Soviets visited the United States. Most American scholars who go to Soviet educational institutions work in humanities and social sciences; most Soviet scholars who visit the U.S. specialize in such military-related fields as physics, computer science, and engineering. While in the U.S., Soviet scholars enjoy nearly unlimited access to publications and the academic community; U.S. scholars in the USSR are severely restricted in their contacts and movements.

Further exchange agreements with the USSR must correct this imbalance. The proposed U.S. Interagency Committee on U.S.-Soviet Exchanges should recommend to the president how a balance can be established. If an Interagency Committee is not created, U.S.-Soviet exchanges should be reviewed by the Director of Soviet and Eastern European Affairs of the National Security Council. No new exchange agreements should be signed until the inequities are corrected.

• **Reduce by half the staff in the Soviet consulate in San Francisco.** Such high-level Soviet defectors as Arkadiy Shevchenko and Stanislav Levchenko confirm that from one-third to one-half of Soviet diplomats are full-time spies. Given the very limited legitimate activities that the USSR's consulate in San Francisco needs to perform, there is no justification for the consulate to have a staff of over 50. San Francisco is close to some of the sensitive defense-related industries in the Silicon Valley. In 1986, the State Department ordered Moscow to reduce the staff of its U.N. mission from 275 to 170 officials. This was to reduce the number of probable spies in the mission. The new president should follow this precedent and order a 50 percent staff cut in the Soviets' San Francisco consulate.

• **Instruct the State Department staff on Soviet global strategy.** While the U.S. Foreign Service Institute, attended by Foreign Service officers at various stages in their careers, offers elective courses on the Soviet Union, there is no required course examining the foundations of Soviet foreign policy and its overall objectives. The highly compartmentalized nature of the State Department means that most Foreign Service officers may never study the global nature of the U.S.-Soviet competition, even though these officers may deal with aspects of U.S.-Soviet competition in many of their posts. The Secretary of State should order that two required courses in Soviet strategy be added to the Institute's curriculum. A basic course, which should be required of all entry-level Foreign Service officers, would include the history of Soviet foreign policy, the staffing and activities of the International Department of the Soviet Central Committee, the Soviet proxy network, and examples and analyses of Soviet disinformation campaigns. A second, more specialized and advanced course, should be required of mid- and top-level officers as part of their routine continuing career training.

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In Praise of Corporate Raiders

Junking Three Fallacies about Hostile Takeovers

Amar Bhide

Many leading businessmen would agree with Peter Drucker that corporate raiders threaten the legitimacy of free enterprise and that "hostile takeovers are exceedingly bad for the economy."

A study I conducted of all 47 contested tender offers of over $100 million in 1985 and 1986 suggests otherwise. Hostile takeovers are in fact an example of capitalism at its best. The typical raider breaks up unwieldy conglomerates into their more sensible constituent businesses—without sacrificing the long term, firing good managers, or inflicting great pain on rank-and-file employees.

Dismantling Conglomerates

Acquiring large diversified companies and selling off their constituent units has enabled corporate raiders to accomplish what must be any reasonable entrepreneur's goal—to make a large profit in a short time with little risk.

Consider Ronald Perelman's acquisition of Revlon. Once the undisputed leader in the cosmetics industry, Revlon had, since the death of its founder in 1975, used the cash flow from its core business to fund acquisitions in health care. Following a contested tender offer, Perelman acquired the firm for $1.8 billion in 1985, and within six months sold off five health care units for nearly $2 billion. The raider gained a $200 million cash profit as well as ownership of Revlon's core cosmetics business, worth about $700 million. He thus proved that the company was more valuable broken into its constituent parts.

Irwin Jacobs pulled off much the same trick in his hostile takeover of AMF, a conglomerate whose holdings ranged from bowling alleys to electric relays and tire equipment to liquid filtration products. Jacobs won control in the fall of 1985 and by May of the following year recovered his entire purchase price of $560 million by selling off eight of AMF's units, keeping the company's boat, sporting goods, and energy operations as a reward for his pains.

This pattern of buying diversified companies and selling off constituent businesses is found in a majority of hostile takeovers. Three-fifths of all contested tender offers undertaken in 1985 and 1986 were followed by significant divestitures. In those offers made by independent raiders, excluding hostile attempts by mainstream companies, the proportion of bust-ups rises to over 80 percent.

The attractions of a bust-up takeover from a raider's point of view are obvious: The enterprise can attract capital as a result of the raider's deal-making abilities, but does not require operating skills and experience, which is usually not his strongest suit. The payback to raiders is quick, and the economics of a bust-up can be estimated without recourse to the target's internal data, which are unavailable in an unfriendly transaction.

But what of the public interest? Critics' claims that bust-ups destroy valuable synergies do not appear consistent with the facts.

In the overwhelming majority of divestitures that followed the hostile takeovers of 1985-1986, the units separated served distinct markets with distinct products, making the loss of economies of scope or scale unlikely.

Indeed, the speed with which most divestitures were accomplished—usually within 18 months of the takeover—suggests that the linkages between the separated businesses were probably not great. It seems unlikely that the units could have been acceptably parceled off to buyers if there were extensive sharing of facilities or coordination of sales.

Further, the overwhelming majority of businesses put on the block after a contested takeover had themselves been acquired by the raider's target. As Michael Porter and other researchers have shown, corporations generally do such a poor job of integrating the businesses they acquire into their existing operations that most are eventually divested. Raiders do not destroy synergies. They merely telescope into a short period the divestitures that would have taken place in the normal course of events.

In addition, my research shows that raiders bring much greater focus to the enterprises they split up.

- In 31 percent of the spin-offs that followed the 1985-1986 hostile takeovers, the buyers were investment groups or the unit's managers who intended to operate the business as a stand-alone entity.
- In 41 percent of the divestitures, the buyers were single-business companies in the same (or closely related) industry as the divested unit.

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• *In the remaining 28 percent of the cases, the buyers* were companies that were following diversification strategies similar to those undertaken by the targets being split up. And, it is interesting to note, within the next year and a half, a third of these buyers—including Goodyear, Bell and Howell, and Harcourt, Brace, and Jovanovich—were themselves being courted by unwelcome suitors.

We need not belabor the advantages of focused, single-business firms here—the inefficiencies of unrelated diversification is as close to a settled issue there is in the field of management. Almost every known analysis—from Tom Peters and Robert Waterman's case studies of "excellent companies," to D. Ravenscraft and Frederick Scherer's statistics on the post-merger performance of 5,000 acquisitions, to Michael Porter's survey of the acquisition record of blue-chip companies over a 36-year period—points to the general superiority of firms that stick to their knitting over those that diversify through acquisitions.

Hostile takeovers are an example of capitalism at its best.

The Role of Junk Bonds

The importance of junk-bond financing in helping raiders dismantle overly diversified corporations should not be underestimated.

Until junk-bond financing became available for takeovers in 1984, significant acquisitions could be undertaken only by professional managers of established companies that could raise debt or equity financing in their own names. Consequently, diversification into unrelated businesses was an important objective in most takeovers, as it expanded the size of the managerial empire while reducing its vulnerability to the misfortunes of any one business. Corporate etiquette discouraged bust-up takeovers, however, so professional managers had little incentive to reduce the size of their peers' corporations.

Around 1984, the junk-bond market allowed entrepreneurs and deal-makers to play the takeover game. A Ronald Perelman or an Irwin Jacobs could finance takeovers through thinly capitalized partnerships or shell companies because junk-bond investors were willing to provide funds backed by the *targets'* assets.

Myth of Undervaluation

Junk-bond financing has not only made the bust-up takeover possible, it has also restrained raiders from undertaking acquisitions, out of hubris or recklessness, that do not have demonstrable economic merit. Consequently, hostile takeovers have not produced the dire consequences that critics claim they do.

One common myth is that hostile takeovers displace managers of well-run companies whose stocks happen to be temporarily misvalued by an irrational stock market. In actuality, the targets of hostile takeovers are not particularly cheap.

On average, contested tender offers in 1985-86 were made at nearly three times the targets' long-run price-earnings ratio, over two times book value, and at a 40 percent premium to the lowest price reached in the year before the bid was made. Value Line, one of the rare stock-picking services that appears to consistently outperform the market, had deemed only 7 percent of all target stocks to be an attractive purchase shortly before takeover bids were made.

Nor were most of the targets stellar performers—70 percent of them had significantly lower five-year returns on equity than comparable firms. According to respondents in a Fortune survey, four-fifths had below-average management.

There is a good reason why raiders don't pick on good companies with temporarily depressed stocks. Junk bond investors wouldn't finance raiders just to pick undervalued stocks for them; besides, it is unreasonable to expect to buy an entire company at a throwaway price after paying an acquisition premium and incurring considerable legal expenses.

Myth of Investment Cutbacks

A second myth about hostile takeovers is that the long term is sacrificed for short-term profits—raiders have to cut back spending on capital equipment, research and development, and new product development in order to meet onerous interest payments. This criticism, too, has little basis in logic or fact.

Only a fifth of the firms that were targets of hostile takeovers in 1985 and 1986 showed any investment cutback—in capital outlays, R&D, or advertising.

Furthermore, in only three cases did the evidence suggest that investment cutbacks were induced by takeover attempts; in all other cases, the cuts were consistent with industry experience and would probably have occurred with or without a tender offer. For example, Unocal and Phillips Petroleum did reduce exploration expenditures after they were attacked by T. Boone Pickens and Carl Icahn, but their cuts were of the same magnitude as those implemented by other firms in the oil industry.

Significant investment cuts due to hostile takeovers are unlikely because raiders pick on mature, low-growth firms. More than four-fifths of all targets in 1985 and 1986, for example, had chronically reinvested fewer funds in their operations than they generated. Only a fifth reported any R&D spending at all.

Raiders could not easily make a case to their investors for acquiring high-growth, high-investment businesses even if they wanted to. Growth firms are difficult to value because their stock prices are heavily weighted by profits that may be realized in the very distant future. Besides, the value of such firms is often tied to the motivation of a few key employees, which may be jeopardized in a hostile takeover. In fact, high-growth firms are much more likely to be swallowed by corporations that wish to diversify into a fashionable industry and for whom price is no object.

Nor can one sustain the argument that raiders are forced to slash investment because of the heavy debt burden they

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incur. Junk-bond financing in hostile takeovers is used as short-term bridge financing that is paid off as quickly as the individual businesses of the target are sold off—a course followed in all but three junk-financed takeovers in 1985 and 1986. Unlike investors in a leveraged buyout, investors in a takeover need to be convinced they will be paid off quickly; they usually have been.

On Workers' Backs?

A third myth, that raiders' profits are achieved at the expense of the targets' employees, appears on the surface to have some basis. I did find evidence of layoffs, plant closings, and other "redistributive" effects following about two-thirds of hostile takeovers in 1985 and 1986.

An altogether different picture emerges, however, when the circumstances and extent of the apparent penalties imposed on target employees are examined.

First, large companies in the United States began reducing jobs about two to three years before raiders became a serious threat. Thanks to a severe recession in 1982 and a rising dollar, employment in Fortune 500 companies fell by 6 percent from 1981 to 1986. Companies such as AT&T, Exxon, and General Electric shed tens of thousands of jobs in the absence of any takeover threat. Like other large firms, targets had been shrinking their payrolls—on average by 7 percent between 1981 and 1985—before they came under attack.

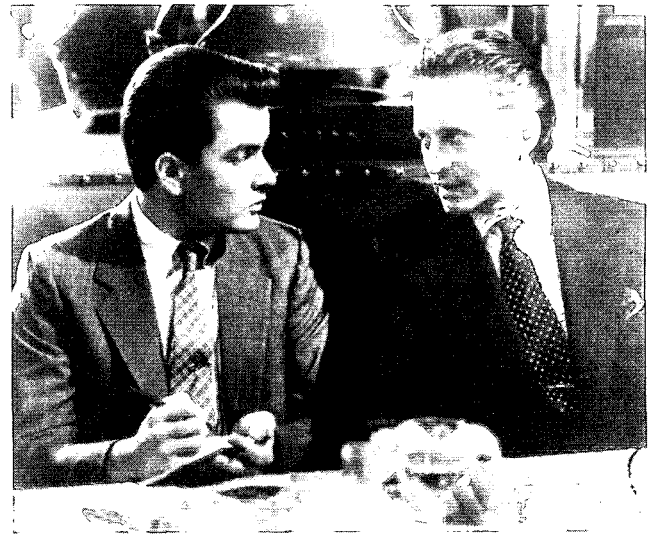
Second, in about half of the cases where layoffs followed the takeover attempt, the evidence suggests that employment would have continued to decline with or without a change in control, because the targets and the industries they belonged to were facing severe profitability problems that bore no relation to the activities of the raiders.

CBS, for example, was being squeezed (along with ABC and NBC) between rising costs and declining viewership and revenues. Uniroyal was suffering, along with other U.S. manufacturers, from excess capacity and foreign competition. The breakdown of pricing discipline within OPEC was hurting Unocal and Phillips and everybody else in the oil industry.

Targets and non-targets alike in these industries were responding to adversity by cutting employment and capacity in 1986 and 1987. Exxon, for example, which has never faced the hint of a takeover threat, instituted a sweeping early-retirement program, while many private wildcatters shut down operations altogether. The link between hostile takeover attempts and job losses in companies like Unocal, Phillips Petroleum, Crown Zellerbach, and Uniroyal therefore seems tenuous.

In nine targets, an argument may be made that job losses arose out of (rather than followed) takeovers, but their magnitude borders on the trivial. In almost every case, the terminations involved a relatively small number—about a few hundred per target—of corporate and administrative staffs rather than the more numerous line or production employees.

The absence of extensive job cuts, too, is not a happenstance. Raiders are not in the rescue business, and do not seek to turn around troubled companies by cutting costs or wages. Assessing the probability of success of rescuing distressed firms is a risky proposition under any circumstances—rescuers usually find problems they had not initially anticipated. Attempting a turnaround through a hostile transaction, where the raider does not have access to the target's books, would be an extraordinary gamble. Furthermore, the average raider does not have the operating experience necessary to convince investors of his ability to pull off a rescue.



"And for dessert, I'll have RJR Nabisco."

Policy Implications

Although raiders have completely restructured several targets, their overall impact has not been great. The bust-up takeover remains a perilous, expensive exercise that only a handful of raiders have the competence and credibility to undertake. And while some diversified corporations have sold unrelated businesses in order to preempt hostile takeovers, the much-heralded divestiture wave is not significant in historic terms. Meanwhile, the flood of friendly diversifying mergers proceeds unabated—the Kodaks continue swallowing the Sterling Drugs and the Philip Morrises continue acquiring the Krafts.

Whatever small influence raiders have had on managers may well decline in the future if current trends in public policy on takeovers persist. Astute lobbying by corporate-level executives—the only group adversely affected by raiders—is putting the squeeze on bust-ups.

The state of New Jersey, for example, has passed a law that prohibits raiders from selling assets to pay back debt incurred in takeovers. Critics of hostile takeovers, for example Lloyd Cutler, have also called for federal legislation to limit the interest deduction for debt used in takeovers. And there have been suggestions that the ownership rights of "new" shareholders be restricted so that raiders would find it difficult to gain control of target companies.

This trend, the record shows, runs counter to the needs of a healthy and dynamic industry structure. Public policy should not be in the business of protecting corporate executives at the expense of their companies' shareholders and customers. ☎

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Is George Bush Mr. Right?

What the Elections Mean for the Conservative Movement

Mitchell E. Daniels Jr., Donald J. Devine, Pete du Pont,
Newt Gingrich, Jack Kemp, Amy Moritz,
Phyllis Schlafly, Paul M. Weyrich

Demoralized and internally divided in early 1988, by fall American conservatives had found new energy, new unity, and (for many) an unexpected new leader in George Bush. Mr. Bush's platform, his decisive victory in November, and his initial appointments as president-elect all suggest that his presidency could be at least as important for the conservative agenda as Ronald Reagan's. To achieve this agenda, however, Mr. Bush and his conservative allies will have to contend with a left-wing leadership in Congress whose power was strengthened in the elections. The congressional leadership will effectively run much of the executive branch unless Mr. Bush can put it on the defensive as masterfully as he defeated Governor Dukakis.

In late November 1988, *Policy Review* asked eight leading conservative activists to assess strategies for the conservative movement in the wake of George Bush's victory and the consolidation of liberal Democratic control of the Congress.

What does the Bush victory mean for the conservative movement? Should the movement's strategy with respect to the Bush administration differ from its strategy with respect to President Reagan?

Daniels: The Bush victory means vindication for conservative principles. Against all recent precedent, a party won a third consecutive election without an incumbent to lead it. It did so with a sitting vice president as its candidate, again in defiance of history. It did so precisely because it set up a clear contrast along value and ideological lines, and because it even dared to label itself ideologically. Not all campaigns are (or can be) won on philosophical grounds, but this one was.

Looking down both barrels of an all-Democratic Congress, the Bush administration will need, and perhaps appreciate, the succor of conservative allies even more than did its high-riding predecessor during its early days. On many occasions, George Bush will be the only stopper between a runaway Congress and some truly unwise public decisions; common cause should come naturally.

Devine: The election victory for George Bush is one more step in the shift toward conservatism that began in the 1950s. Bush promised to not increase taxes, to put a flexible freeze on spending, to be tough on crime and appoint judges who interpret rather than invent the law, to test and deploy strategic defenses, to support the Nicaraguan Contras, and to continue building the nation's defenses. The conservative movement obviously will take a different stance toward George Bush, a latter-day convert, than it did toward Ronald Reagan. Yet, Mr. Bush says he has learned from President Reagan and we should to take him at his word. Conservatives should take the same stand toward the new administration as toward the old: trying to influence it to adopt conservative positions, supporting those positions when taken, and respectfully objecting when different policies are pursued.

du Pont: The Bush victory shows that America still has a conservative majority, and it gives conservatives an opportunity to continue the progress that we've made in the last eight years. Ronald Reagan made policy changes in taxation, deregulation, and defense. George Bush now has a chance to move to the next generation of issues: allowing parents to choose which schools their children go to, using the private sector to improve health care and retirement security, and proceeding as swiftly as possible to deploy the Strategic Defense Initiative.

Kemp: George Bush won on conservative issues and a conservative platform. Dukakis ran against Reagan and Bush ran with Reagan. Dukakis ran a pro-choice campaign, pro-abortion-on-demand; Bush ran, unequivocally, on a pro-life agenda, although he didn't talk about it every day. Dukakis ran with liberal, ACLU credentials; Bush not only attacked the ACLU, he emphasized the family as the linchpin of our free society. Dukakis said that cutting the capital gains tax would line the pockets of the rich; Bush said it would create more jobs and more revenues. Dukakis said we need a tax increase of one sort or another; Bush said, read his lips, no tax increase. Dukakis said SDI is a fantasy;

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Bush said it's not a fantasy, it'll work, and we'll deploy it when it's ready. This was a conservative victory, and a repudiation not only of the left-liberal wing of the Democratic party. It was a repudiation of liberalism unmatched in our recent lifetime.

The Bush victory shows again that conservatives can win presidential elections. The challenge is to translate this success into congressional elections and a governing philosophy for the majority of the American people.

Moritz: George Bush is good news for a conservative movement that badly needs to reenergize the troops after two years of less-than-interested leadership by the post-Iran/Contra Ronald Reagan. The conservative movement should be strongly supportive most of the time, and work hard to be a dependable and valuable ally once we have promised support on an issue. But our support should not be automatic—so we are not taken for granted. We must also avoid nitpicking and bluster: if we announce opposition to an administration policy, we should deserve to be respected for our views by being prepared to be effective in opposition. When Bush stands up and fights for a conservative cause, we must also be prepared to applaud him and provide any assistance we can. Because of the office he holds and the fact that he has not long been associated with the conservative movement, Bush is in a unique position to forward the conservative agenda.

Weyrich: The movement's strategy in dealing with Bush should differ from our strategy in dealing with Reagan. Essentially, the movement presented Reagan with an entire agenda and when he failed to act on most of it, we tried everything from persuasion to attacks, most of which were unsuccessful.

The leadership of the movement should sit down with the new administration and try to find three to five issues upon which we can agree each year. Then both sides should go all out to work on these issues. In order to get anything at all through the Congress we will have to have "inside-outside" cooperation and a full-court press on the part of both.

How strongly did conservative activists work for Bush's election, and why?

du Pont: When George Bush rejected the Dukakis view that this election was about competence, he signaled to conservatives across the country that he was part of the conservative majority, that he understood the importance of intellectual and ideological leadership by a president. His positions on taxes—no tax increases, refundable tax credits for day-care—indicated a commitment to a free-enterprise, market-oriented ideology similar to the propositions Reagan put forth in 1980.

Gingrich: Conservative activists worked very hard for Bush. There was a growing realization that Dukakis was a threat to conservative values, that the Bush campaign was actively asking for conservative help, and that together we made a very formidable team.

Bush's commitment to appointing conservative judges, against raising taxes, for a strong defense, and for a strong anti-drug policy; his willingness to use the word "conservative"; his courage in defying the establishment news media; and his use of Willie Horton and the murderers' furlough program, the Dukakis veto of the Pledge of Allegiance, and Dukakis's "I am a card-carrying member of the ACLU"—each of these items reinforced the willingness of activists to be involved. At the same time the activists' involvement reinforced the willingness of the Bush campaign to take on a confrontational, polarizing style. In many ways they together made this more of an ideological campaign than Ronald Reagan had run.

Moritz: Social conservatives and pro-life activists worked the hardest and the earliest for Bush's election, so it's fair to say that Bush's willingness to frequently and unequivocably articulate his pro-life stance, combined with his references to personal religious values, were among the things that most motivated conservative movement activists. Bush's willingness to take a firm stand on a full range of controversial issues—such as volunteering in one of the debates that he supported the nomination of Robert Bork—also helped. Many conservative activists underestimated Bush's conservatism, and thus were pleasantly surprised and motivated by his campaign.

Schlafly: Conservative activists worked very hard for George Bush's election and gave him their full support. Conservatives became more and more enthusiastic as the campaign progressed until, at the end, some were saying, "He'll probably be better than Reagan."

Conservatives were reassured by Bush's choice of a conservative vice president, they were thrilled with his hard-hitting convention speech, they were "turned on" by Bush's fighting campaign on the issues. Contrary to the media din that every night continues to tell us that the 1988 presidential campaign was devoid of issues, George Bush talked about the real issues—the no-tax-increase pledge, the Pledge of Allegiance, and not letting murderers out on furloughs.

Mitchell E. Daniels Jr.

was Assistant to the President for Political and Intergovernmental Affairs from 1985 to 1987. Mr. Daniels is now president of the Hudson Institute.

One has to have a foot in the jailhouse to lose a seat in today's House of Representatives.

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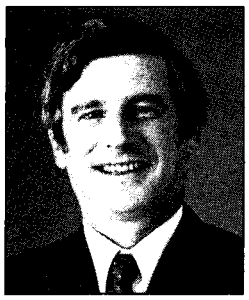
Donald J. Devine



former head of the Office of Personnel Management, is chairman of Citizens for America.

The elections of Richard Bryan, Chuck Robb, and Joseph Lieberman show how the Democratic Party has moved to the right in the Senate.

Weyrich: Most conservative activists ended up—although some reluctantly—working very hard for the election of George Bush. There is little doubt that movement activists helped significantly with the margins—especially in some of the more difficult states such as Pennsylvania, Michigan, and Illinois. The Religious Right helped with the blow-out margins throughout the South.

Interestingly, the selection of Dan Quayle was very helpful in activating the movement. Prior to his selection, some movement leaders were talking about sitting out the election. With Quayle on board, Bush won new respect from the movement, and Quayle's voting record and positions on issues made it easy for the conservative leadership to be enthusiastic.

Which goal should take greater priority for conservatives: influencing the Bush administration or influencing the Congress? How much influence are conservatives likely to have on each?

Daniels: Regrettably, only one real option exists here, because today's Congress is essentially beyond conservative influence. During the 1980s, the Congress—the House in particular—has become imperious, impervious, and imperial. Swathed in layers of protection, most of them self-provided, today's member of Congress hears no footsteps, feels no pressure.

The least persuasive conventional wisdom of 1988 was the "mandate" theory, which held that the next president's ability to govern would be a direct function of his specificity in campaigning. The idea was that by laying out a detailed program, the president-elect could build momentum to cow the Congress into doing things it would otherwise not do.

Where have these people been? Congress doesn't cower at anything except electoral defeat. It wasn't the fine print of Ronald Reagan's white papers that gave him his 1981 legislative steam, it was the net of 33 House members and 12 senators that he had helped defeat the previous fall.

At reelection rates approaching 100 percent, one has to have one foot in the jailhouse to lose a seat in today's House of Representatives. The threat of defeat is for most a faded memory.

Conservatives should champion comprehensive institutional reform of Congress. Strong revolving-door legislation and cuts in staff and expense allowances would be a good place to start.

Repeal of the franking privilege for unsolicited mass mail should come next. It was abolished for several years in the 19th century and the republic did not perish. In a world of fax machines, satellite interviews, and a crowded radio spectrum, the rationale for the frank on its current scale has completely evaporated.

The political action committee system should go. The shameful—no, shameless—behavior of the PAC-rats in shifting millions of dollars to liberal incumbents is the last straw, but the central problem is the growing domination of campaign finance by Washington insiders. Ending PAC contributions while raising individual giving limits and lifting party limits entirely would be the best approach.

Each of these stances would put conservatives on the moral high ground of ethics and reform. The public will applaud reforms of an ethical, antiestablishment character, and any results in greater competition will be an improvement over today's entrenchment of impervious liberal majorities.

du Pont: The first goal is to identify with the people of this country. The Congress reflects the views of its constituents, just like a weather vane. Just the slightest change in the direction of the prevailing breeze and the Congress follows along. One of the things I learned as governor is that when you fight in the legislature, you fight on their turf. When you talk to your constituents, you fight on your turf. We should make sure, as conservatives, that we continue to identify with the majority. That is the best way to influence both the administration and the Congress.

Weyrich: Conservatives should put forth an agenda that is aimed at uniting our forces and splitting the opposition. These initiatives should be introduced in the Congress, regardless of the views of the administration, and pushed so as to constructively polarize the electorate, clarify the choices for the voters on issues, and thus, in due course, add to the number of conservatives in Congress.

In the long run, presenting and acting on our own agenda is much more important than trying to have influence on the administration.

Why did Republicans fail to capture the Senate, and why do they continue to have so much trouble in the House races?

Daniels: Republicans lost Senate and House seats despite a presidential victory, a dubious achievement unique in this century. They did so primarily because of a corrupt system structured to protect incumbents. In the House, particularly, *all* the boroughs are rotten, and conservatives should take the point in attacking that system for both political and good government reasons.

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The most significant election in America was probably the defeat of Fernand St. Germain in Rhode Island, because it offered some encouragement that the mighty can still occasionally be laid low. It suggests a conservative opportunity to seize—reclaim, really—the banner of ethics, anti-royalism, and the public's right to fair and competitive elections.

Devine: Although the Republicans failed to capture the Senate, there was a net gain of four seats for conservatives. The single ouster of a conservative by a liberal was in Nebraska, with Robert Kerrey's victory over David Karnes. In four races, there was no appreciable ideological shift: liberal Herbert Kohl replaced liberal William Proxmire; moderate Republican James Jeffords changed places with the moderate Robert Stafford; the conservative Democrat Richard Bryan replaced the conservative Republican Chic Hecht; and the moderate conservative Democrat Chuck Robb took the place of the moderate conservative Republican Paul Trible. But there were five Senate races with a move to the right: two with minor, and three with very dramatic, shifts. Joseph Lieberman is more conservative than Lowell Weicker and Slade Gorton is more conservative than Dan Evans. And three strong conservatives replaced moderates: Conrad Burns for John Melcher, Trent Lott for John Stennis, and Connie Mack for Lawton Chiles. It even looks like there is a net gain of at least three conservatives among the new members in the House of Representatives.

The Reagan Revolution will differ from past ideological realignments. Franklin Roosevelt was able to make swift congressional gains through a single party because there was a strong party system in 1932. With Democratic domination of Congress now entering its 35th year, the Reaganizing of America will have to advance through both parties.

du Pont: We have learned as a political party how to run presidential campaigns based on ideology. We haven't taught that yet to all of our candidates who run for the Senate and the House. Connie Mack learned it, which is why he was victorious in Florida. He was not bashful about talking about his ideology. Conrad Burns learned it in Montana; unfortunately, Pete Dawkins didn't learn it in New Jersey. His campaign had a low ideological content and a high "Hey, I'm a nice fellow, elect me to the Senate" component.

We should have learned in 1986 that Republicans don't win nonideological campaigns in difficult races. To overcome the enormous advantages of Senate and House incumbency, with its newsletters and constituent service, a challenger has to stress sharp ideological differences.

The challenge for President Bush in 1990 is to lead a Senate and House campaign with a high ideological content, linked to programs that we've proven in presidential elections are of interest to the families of this country.

Gingrich: The Republican Party remains an inadequate instrument for serving the vast majority of Americans who have rejected the Left. The mechanisms of power in the Democratic Party and on the Left are gigantic compared

Pete du Pont

is a former three-term U.S. congressman and two-term governor of Delaware. His most recent article for Policy Review *is "What I Learned in Cedar Rapids," on his 1988 campaign for the Republican presidential nomination.*

The Republican Party has a good opportunity to get a larger share of the black vote.

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with those of the Republican Party and the conservative movement. The Democrats' forces include the AFL-CIO, the NAACP, big city governments, the Legal Services Corporation, the tax-paid advantages of incumbency, and the capacity of congressional committee chairmen to coerce PACs into giving money to Democrats. The Republican Party is incapable of competing with the Left's organizational strength and professionalism. If the Democrats have to rethink their strategy after losing five out of six presidential races, shouldn't Republicans do some thinking about why they have lost 18 consecutive elections for a majority in the House?

Clearly, the lesson of the Mack and Burns Senate races is that Republicans can win when they form coalitions with conservative activists. Had coalition conservatism been used in New Mexico, Ohio, and New Jersey, it is very likely that we would have won all three of those Senate races. On the House side, the gap between the GOP's performance and potential performance is so massive that there has to be a fundamental reevaluation at every level.

Kemp: The American people clearly want conservative Republican leadership on the great issues of foreign and defense policy, keeping the economy strong and sound and growing, and emphasizing the Judeo-Christian values of our country and families. This is why conservative Republicans do well in presidential elections. But in local and congressional elections, many people still remain unconvinced that the Republican Party is sensitive to issues of education, environment, and protection of the poor and elderly—the social and economic safety net issues, if you will. These are issues upon which many Democrats still win.

Many people do not want just a laissez-faire government. They want a safety net, and protection for the elderly and a defense of civil and human rights. You don't have to buy the Dukakis campaign or the liberal agenda to realize that the American people want a strong, well-funded Social Security System. I've argued that the system is overfunded and that we ought to cut the payroll tax and

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Newt Gingrich

serves as U.S. representative for the 6th district of Georgia.

If the Democrats have to rethink their strategy after losing five out of six presidential races, shouldn't Republicans do some thinking about why they have lost 18 consecutive elections for a majority in the House?

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expand IRAs for young people. But to capture the Congress, we have to convince people that a Republican Congress is not going to do away with unemployment insurance, Social Security, or compassion for the disadvantaged.

This does not mean progressive conservatives have to match liberal-Democratic spending programs. It does mean coming up with approaches to policy that give evidence of concern for the poor, the downtrodden, the elderly. Bob Woodson and Stuart Butler have done a remarkable job showing that conservative ideas such as privatization and tenant management of public housing can empower the poor. I've stressed free-enterprise zones and home ownership. Our party has to do a better job convincing people that we've got the answers for the poor and minorities, and that we want to wage a conservative, free-enterprise war on poverty.

Winston Churchill led the British people through World War II. But he lost his election in 1945 because he had no idea what he wanted to do for Britain in the peacetime economy. The Socialists won by promising to make "bread out of stones," the so-called Keynesian miracle. Churchill came back as prime minister in 1951 by demonstrating he was going to provide a safety net, under which people would not be allowed to fall, and a ladder of opportunity upon which all people could climb.

This is the "opportunity society" approach to conservatism that Newt Gingrich, Vin Weber, and I talk about. I call it "compassionate conservatism," or conservatism with a human face.

Moritz: An important reason why Republicans failed to capture the House and Senate is their inadequate candidate recruitment at the local level over many years. Republicans should concentrate more on recruiting and supporting top-level candidates for state and local offices to increase the pool of experienced and well-known congressional and senatorial candidates for the future. Current wisdom in conservative circles holds that both rules and contribution patterns favoring incumbents and gerrymandering are largely responsible for the Democrats' lock on the House. These factors work against us, but they are not the whole story. Gerrymandering, for example, played no part in the GOP's loss of the Senate. And every election has its tales of long-term incumbents beaten by high-profile challengers. The Republican Party needs to work today to find the local-level candidates who will become the high-quality, high-profile, federal-level candidates of tomorrow. Citizens' campaigns including (but not limited to) referendums should also be employed by conservative activists to help separate liberal incumbents from conservative constituencies.

Schlafly: Republicans failed to capture the Senate because the Senatorial Campaign Committee in general, and most Senate races in particular, are completely run by pollsters, consultants, and media buyers who are making so much money on paid advertising that they are out of touch with real issues, real people, and real elections. This strategy was a disaster in 1986 and it repeated itself in 1988. The Senatorial Campaign Committee is a genius at raising money and imcompetent in spending it. They don't know where the votes are and they don't know where the people are because they live in the cloistered little world of television studios, "spot wars," hypothetical questions, and consultants who recommend only the type of campaign spending on which they get their 15 percent cut.

In addition, the Senatorial Committee again interfered in a Republican primary and spent Republicans' money to nominate a sure loser, namely, the feminist who ran for the Senate in Wisconsin. A feminist cannot win as a Republican no matter how much money she spends—and that lesson has been proven over and over again.

Weyrich: Republicans failed to capture the Senate primarily because the party failed to force votes on constructively polarizing issues and failed miserably in making the Democrats controversial. Movement conservatives may know that Senators Bingaman, Lautenberg, and Metzenbaum are ultra-liberals, but the voters who listened to their rhetoric back home had a hard time figuring that out. The Republicans gave these incumbents free rides for five and a half years and then rushed in with a negative campaign against liberal voting records in the last six months. It didn't wash with the voters because, having heard no criticism for the previous five years, the voters dismissed the charges of liberalism as "politics."

That goes double for the House of Representatives, because House members have much lower profiles and can hide their records more easily.

In addition, many House members systematically lie about their records back home so that they can have it both ways. The voters think they are conservative, while, in reality, they vote with the liberal special interests in Washington.

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Has the Democratic Party changed ideologically during the Reagan years? Should conservatives begin to work actively in the Democratic as well as the Republican Party?

Devine: The Senate elections of Richard Bryan of Nevada, Chuck Robb of Virginia, and Joseph Lieberman of Connecticut show how the Democratic Party has moved to the right in the Senate. The movement in the House is much more difficult to ascertain, reflecting its strong gerrymandering of districts, which makes change so slow. While the Republican Party will probably remain the predominant vehicle for conservatism, the movement cannot afford to ignore these changes in the other major party.

Gingrich: The election of George Mitchell as Senate Majority Leader continues the Democrats' shift to the left. Conservatives should systematically desert the Democratic Party as long as it remains a left-wing party. They should force the Democratic Party into the kind of bankruptcy that Margaret Thatcher forced on the Labour Party in Britain.

Kemp: The left-wing parties of the West are moving further to the left, away from the center of political gravity. When conservative governments provide prosperity without inflation, equality of opportunity for all, and peace through strength, it negates the demagogic appeal of Socialist and other left-leaning parties. If conservatives can empower the poor, put people to work through free-enterprise ideas, vigorously enforce civil-rights laws, and show that we truly believe in an equal-opportunity society for all, then we will drive the left-wing parties away from the people and their common sense.

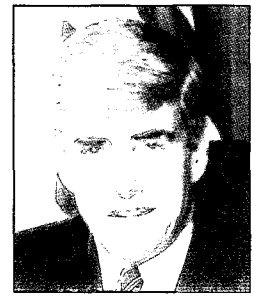
While conservatives should work in both parties, they have more of an opportunity to exercise national influence in the Republican Party, because the Democratic Party is drifting towards a U.S. equivalent of the British Labour Party.

Moritz: Should conservatives work actively in both parties? Yes. The trend toward increasing political polarization is dangerous. Polarization promotes instability. It erodes national unity, impairs the executive's ability to work with an opposite-party legislature, and tends to reduce respect for law and democratic processes among those out of power. While polarization has benefits for conservatives as left-wing excesses drive voters away from liberal candidates (and motivate them to give money to conservative causes), encouraging the radicalism of the Democratic Party is like playing Russian roulette with the nation. Furthermore, on specific issues conservatives need to work with Democratic members of Congress to pass legislation.

Schlafly: The Democratic Party is just the same as it ever was—hopelessly left-wing at the presidential level, with lots of good people at the lower levels.

It's good for conservatives to work in the Democratic Party so long as they have no aspiration for national office or influence. Those who want to be movers and shakers of

JACK KEMP



after 18 years as U.S. congressman for the 31st district of New York, has been named Secretary of Housing and Urban Development.

The Bush victory was a repudiation of liberalism unmatched in our recent lifetime.

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the national agenda will switch to the Republican Party as did Strom Thurmond and Phil Gramm.

Weyrich: The Democratic Party, much like Great Britain's Labour Party, has moved to the left throughout the Reagan years. The Democrats will win one of these times, perhaps because of economic conditions, so it would be a mistake for conservatives to be totally absent from the Democratic Party unless the party can be broken up the way the Social Democrats split from the Labour Party in Britain.

Early in 1988, it was widely said that President Reagan's alliance between social conservatives, economic conservatives, and foreign policy conservatives was coming apart. Was this prediction accurate?

Gingrich: Majority coalitions are always coming apart, and majority coalitions always fight, which is why they have to focus on managing conflict rather than resolving it. There will always be tension between the social, economic, and foreign policy conservatives, and if we intend to be a majority, we should learn to relax and be cheerful about the challenge of having all these folks in the same room to work with each other.

Moritz: For years, economic and foreign policy conservatives looked down on their social conservative cousins, believing them to be simple-minded and unsophisticated. Social conservatives, quite rightly, resented it, and the strains were a threat to the alliance. Today, as social conservatives are undeniably the best organized and most active of the three groups, that perception is changing. The alliance is growing stronger. It is not unusual for economic and foreign policy conservatives to emulate the strategies of the social conservatives. Economic and foreign policy conservatives are using more value-based terminology in their conversations and speeches; social conservatives are devoting more space in their media to issues of foreign affairs and economics. Social and economic conservatives

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Amy Moritz

is president of The National Center for Public Policy Research in Washington, D.C. Miss Moritz wrote "The New Right, It's Time We Led: Conservatism's Parched Grass Roots," for the Spring 1988 Policy Review.

Encouraging the radicalism of the Democratic Party is like playing Russian roulette with the nation.

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have begun to work together to achieve major change (two prime examples: the 1986 tax reform and the Bush child-care tax credit proposal).

Strains remain, however. One is a growing, disturbing trend among some local-level conservatives (who are frequently, but not exclusively, associated with the social conservatives) to claim that conflicts caused by power struggles are evidence that fellow conservatives are either insufficiently conservative or morally bankrupt. Bitter, unproductive, and essentially ludicrous battles have resulted. Conservatives should remind one another that a difference in priorities, perspective, or personality does not necessarily mean that one conservative is "more right" than another.

Weyrich: The alliance of the triple pillars of conservatism (defense/foreign policy, economics, and social issues) stayed together, although weakened, for the 1988 election primarily because of the themes that George Bush put forth and the fear of a Dukakis presidency.

Does the conservative movement currently have a political leader? Is it important to have one?

Devine: For the first time since 1963, the conservative movement finds itself without an obvious political leader. Although it is more difficult to maintain and expand such a movement without a charismatic figure, conservatives will have to learn to do without one.

du Pont: We have two. One is Ronald Reagan and the other is George Bush. George Bush has earned the right to be our leader. He's shown us that he understands the values we share with the majority of Americans. He's shown us in his campaign that he knows how to lead. So we're not lacking in leadership. And we have a strong team at the second tier.

Gingrich: The conservative movement's current leader is George Bush, but the conservative movement has a vast array of assets, each of whom has leadership potential—people like Jack Kemp, Pete du Pont, Jeane Kirkpatrick, Bill Bennett, Alan Keyes, Bob Woodson, and Paul Weyrich.

Moritz: George Bush is the political leader of the conservative movement. This is true because the job was vacant and George Bush arrived with the necessary qualities: credibility, goals, and a communication platform. It does not matter that George Bush has not long been identified with the conservative movement. What counts is that tens of thousands of conservative activists and supporters believe that he is a conservative now, and they will follow him unless he proves that he is not.

This situation has its advantages, but it is not ideal. The presidency is the best communication platform in the world; it is an irreplaceable asset. It is a disadvantage, however, for the conservative movement's leader to be the head of state, for the pressures brought upon a head of state to compromise even deeply held views and values are enormous.

The movement can, however, have the best of both worlds. If the movement works aggressively over the next few years, and does not ignore the grass roots, new conservative leaders will emerge who can effectively communicate with and command the respect of both grass-roots and national conservatives. Assuming Bush governs as a conservative, conservatives will then have the advantage of the presidential bully pulpit and a movement leadership relatively unaffected by external political pressures.

Schlafly: I hope the conservative movement today is mature enough to function without one political leader. We've been saying that Ronald Reagan didn't create the movement—the movement created him, and he rode it into the White House. Now is the time to prove that the movement is more important, more vital, and more permanent than a single leader.

For eight years, we were told that Ronald Reagan was successful only because he is an actor with TV skills. Well, George Bush is not an actor, not a great communicator, and has no TV tricks. Ergo, the public must like the substance of what he says, and that substance is conservatism. George Bush should be the conservatives' leader.

Weyrich: The conservative movement has many potential leaders, but no one of the stature Ronald Reagan had throughout the late '60s and '70s. We need to unite behind a single presidential candidate if and when (perhaps because his term has ended) we are no longer supporting George Bush.

What do the elections show about the possibilities of winning conservative support among blacks? Hispanics? Catholics? Jews? Evangelicals?

Devine: Exit polls suggest that Michael Dukakis won 85-90 percent of the black vote, and 65-70 percent among Jewish voters. Republican efforts to make inroads among both groups have been unsuccessful and will remain difficult for the future. Bush did not do quite as well as Reagan

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Phyllis Schlafly

is an author, attorney, and president of Eagle Forum.

By the end of the campaign, some conservatives were saying Bush will probably be better than Reagan.

Paul M. Weyrich

is president of Free Congress Foundation.

The selection of Dan Quayle was very helpful in activating the conservative movement to work for Bush.

among Hispanics, but did manage to keep 30 percent of the vote of this large and growing group. The vice president was able to win a majority of the Catholic vote, slightly below Reagan's vote in 1984 but slightly above that in 1980. Bush actually gained votes among white fundamentalists, to 81 percent, up from Reagan's 78 percent in 1984 and 63 percent in 1980. Evangelicals, Catholics, and even Hispanics, therefore, now provide a large share of Republican votes. Republicans do even better among the young in these groups, suggesting there is ground for making these groups as important in their coalitions as are conservative Protestants.

du Pont: The Republican Party has done well with most of these constituencies and even has a good opportunity to get a larger share of the black vote. The only two black Senate candidates this time were Republicans. Alan Keyes, whom I had the pleasure of campaigning with, articulates the values of the conservative majority to a black constituency better than anyone. I think that as our ideas begin to reach the black voter, we can help him see that the solutions lie in the Republican Party and the rhetoric lies in the Democratic Party.

It's important that we not fall into the trap of "Mondalizing" the electorate; that is, thinking that a black or Hispanic person has different needs or aspirations than the rest of Americans. As long as we don't fall into that trap, we can appeal to everyone. The idea of allowing parents to choose schools for their children has perhaps more appeal to the black single mother trapped in a poor city school system than to a white who lives in the suburbs. That black single mother also understands the futility of today's welfare system and the need to change it. But these ideas are good for all families, and ought to be put forward on the basis that we're helping every family, regardless of race, or income, or circumstance. If you speak to the real needs of families, and if you talk about the values that are shared by most families in America, I think you can win support across the political spectrum.

Kemp: George Bush and Ronald Reagan both demonstrated that Catholic and ethnic Democrats, and "Scoop" Jackson Democrats, have more in common with conservative Republicans than with Dukakis Democrats. A pro-growth economy, privatization of housing, and education reforms such as magnet schools, vouchers, and tuition tax credits would all attract inner-city Hispanic and black support for conservatives, but, and this is a big but, only if conservatives also demonstrate a commitment to a strong role in protecting civil rights.

Showing concern for the less fortunate is important in winning more of the Jewish vote. The Jewish vote is not based only on attitudes toward Israel. The Jewish community also has a strong social conscience, and to win more Jewish support, the Republican Party must do a better job of showing compassion. We must not measure compassion by how many people are on government welfare and food stamps; we must measure compassion by how few people need food stamps and government assistance.

Schlafly: Tremendous possibilities exist for winning conservative support among all those groups, but unfortunately the election showed that only the evangelicals supported George Bush in very large numbers. It is possible to secure the same high level of support from the other groups, but they will have to be cultivated as the evangelicals have been cultivated, with issues and personalities to which each of those other groups relates.

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BEYOND WILLIE HORTON

The Battle of the Prison Bulge

RICHARD B. ABELL

Two good ideas—fiscal conservatism and getting tough with criminals—are on a collision course. Responding to public outrage about crime and to the realization that criminal rehabilitation usually doesn't work, state legislatures have been enacting tougher sentencing practices for repeat offenders. The legislators want to eliminate revolving-door justice, to redefine "life sentence" as more than parole in three to five years. But these worthy goals are threatened by prison crowding and the reluctance of taxpayers to appropriate scarce resources for new prison construction and rehabilitation of old facilities.

At the end of 1987, more than 40,000 people were being held in a federal prison system designed to hold 29,000 inmates. The state prison population, up 75 percent since the end of 1980, stood at 533,000, in facilities intended for 436,000 to 501,000 inmates. The entire corrections departments of eight states were under court order or consent decree to relieve prison crowding. Another 27 states plus the District of Columbia were operating at least one facility under similar court order or consent decree. There simply isn't room for all the criminals who should be locked up.

New prison construction has been held back by its astronomical costs—typically between $50,000 and $100,000 per bed space. When operational costs are added and amortized over the life of a facility, a sentence of one person for one year will average about $25,000. In 1985, according to the Bureau of Justice Statistics (BJS), state governments spent $8.9 billion (or 55 percent of their entire justice system expenditures) on corrections facilities. Of that amount, 13.4 percent was spent on capital outlays including prison construction, double the percentage in 1974. Sticker-shocked legislators understandably balk at these prices and are reluctant to turn to taxpayers for additional revenues.

But the costs of *not* building new prisons are even steeper. By now the nation is well aware of the crimes of Willie Horton, who repeatedly raped a Maryland woman and tortured her fiancé while on furlough from his first-degree-murder sentence in Massachusetts. It is less well-known that thousands of other convicted felons are prematurely released because of prison crowding. Many are never even imprisoned.

Precise figures are hard to come by because states are reluctant to provide information on early prison releases. In 1985, according to the BJS, 19 states reported 18,617 early releases because of crowding. Between 1986 and 1987, the prison population in states entirely under court order increased by only 3.2 percent, compared with an increase of 8.5 percent in states not experiencing court intervention. Buried in these statistics are countless personal tragedies that could have been avoided.

Wayne Lamarr Harvey participated in the brutal shotgun killing of two people in a Detroit bar in December 1975. A plea-bargain reduced his two first-degree murder charges to second degree, and he was given a 20- to 40-year prison sentence. On the day he entered prison, he was automatically granted nine and a half years of "good-time" credits, which he was allowed to keep despite 24 major prison rule violations during his incarceration. His minimum sentence was further reduced by two years under Michigan's "Prison Overcrowding Emergency Powers Act," which went into effect in 1980 after voters rejected a $300 million bond issue for further prison construction. Harvey was paroled to a halfway house in July 1984 after serving eight and a half years of his original minimum sentence. On October 25, 1984, Harvey and a female halfway-house escapee killed a 41-year-old East Lansing police officer and father of six, then proceeded to a nearby home where Harvey shot and killed a 33-year-old woman as she opened the front door. The two were later apprehended as they were attempting to jump start their last victim's car.

John Butsinas, imprisoned in Michigan on two breaking-and-entering charges, was paroled in February 1984 after receiving 370 days of early release credit. When last apprehended in October 1984, he confessed to having burglarized about 500 homes since April 1984 to help support a $2,000-a-day cocaine habit. According to Butsinas, "If I had did it right, I'd have never had to work again a day in my life. . . . Oh, Jesus Christ, the money."

The state of Texas, which operates under a consent decree for prison crowding and has been forced to close its prison gates several times since 1981, has been under substantial pressure to let existing inmates go to make room

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for new ones. Jerry McFadden, also known as "the Animal," had been sentenced to 15 years in January 1981 for aggravated sexual abuse. He was let out under mandatory release in July 1985 after accumulating the maximum amount of "good-time" credits. On May 5, 1986, McFadden robbed a young couple at gunpoint near a lake in rural Hawkins, Texas. Later that same day, three recent high school graduates, who were picnicking by the lake, were shot and killed. McFadden was convicted of armed robbery and sentenced to life for the first incident. He was convicted of the rape and murder of one of the three picnickers, but as there were no eyewitnesses and the gun was not found, he was not convicted in the other two killings. While awaiting trial, McFadden escaped from a local jail, taking a female police officer hostage. After leading Texas lawmen on an incredible three-day manhunt, he was finally captured. McFadden is currently on Texas's death row, pending appeal.

Tough mandatory sentencing is supposed to avert such tragedies. But with too few prison cells, we have created a game of musical chairs that all too often puts the criminal on the wrong side of the wall. We must not allow capacity problems to drive judgments about who should be locked up and who let go.

Felony Probation

A BJS study of prison entrants in 1979 found that, at the time of their admission, 28 percent would still have been in prison on an earlier conviction if they had served their maximum prior sentence. The study found that these "avertable recidivists" accounted for approximately 20 percent of the violent crimes committed by all those sent to prison that year as well as 28 percent of the burglaries and auto thefts, and 31 percent of the stolen property offenses.

Avertable recidivism has almost certainly risen in recent years, as probation, parole, and early release have been used increasingly as a release valve for bulging prisons, even when it means placing dangerous offenders back on the streets. The probation and parole population grew by more than 40 percent from 1983 through 1987, whereas the number of men and women in jails and prisons increased by 33 percent. Today, over one-third of the nation's adult probation population are convicted felons.

In Texas, in 1987, the average inmate was released after serving less than one quarter of his sentence; by comparison, in 1982, inmates were released after serving over half their sentences. It is now possible to be released on parole after serving three months of a two-year term, 7.6 months of a five-year term, and 15.2 months of a 10-year sentence.

What happens when convicted felons receive probation instead of a prison sentence? A study commissioned by the National Institute of Justice tracked 1,672 felons put on probation in California's Los Angeles and Alameda Counties in 1983. Over a 40-month period, 65 percent of the probationers were rearrested and 53 percent had official charges filed against them. "Of these charges," explains the criminologist Joan Petersilia, "75 percent involve burglary or theft, robbery, or other violent crimes—the crimes most threatening to public safety." Fifty-one percent of the sample were reconvicted—18 percent for homicide, rape, weapons offenses, assault, or robbery; and 34 percent eventually were returned to jail or prison.

The Price of Thuggery

The price of prison construction should be weighed against the price paid for the premature release of hardened offenders as the result of prison crowding. Though still a developing discipline, an emerging methodology is attempting to estimate how many crimes a hypothetical offender commits and how much each of those crimes costs society.

The FBI reports data on victim losses for various crimes. For example, the white-collar crime cases filed in federal court in the year ending September 30, 1985, included 140 crimes involving over $1 million. Sixty-four persons were charged with crimes involving over $10 million. In the larceny-theft category reported losses averaged: $248 for pocket-picking; $208 for purse snatching; $86 for shoplifting; $646 for thefts from buildings; $428 for thefts from motor vehicles. Automobile theft averaged $4,888 each, with a national loss of $6 billion.

New prisons cost between $50,000 and $100,000 per bed space. But the costs of *not* building new prisons are even steeper.

Figure 1 lists the number of crimes in 1983, and estimates some of the costs to society of criminal activity during the same year. Dividing the number of victimizations (42.5 million) into the costs of crime to society ($99 billion) leads to a social cost of $2,300 per crime.

An offender's rap sheet may list only one or two convictions and a few arrests. But interviews with offenders suggest that the typical convict has committed hundreds of crimes.

Figure 1
Social costs of crime

Crimes—1983 *(Millions)*		Expenditures—1983 *($ billions)*	
Violence	5.0	Firearms	0.3
Robbery	1.4	Guard dogs	4.2
Burglary	7.5	Victim losses	35.4
Larceny	27.4	Criminal justice	33.8
Theft	1.2	Commercial security	26.1
Total	42.5	Total	99.8
(Missing: Homicides, white collar, underground economy)		(Missing: Residential security, opportunity costs, indirect costs)	

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A Rand Corporation survey of 2,190 offenders in three states found that professional burglars averaged between 76 and 118 burglaries per year. Lesser larcenists such as shoplifters and pickpockets averaged between 135 and 202 thefts per year. Ten percent of offenders committed over 600 crimes per year and about half the sample committed fewer than 15 crimes per year. The broad disparity between individual offender behavior should make us cautious about suggesting an average number of offenses per prisoner. The overall average for all crimes in the Rand study ranged between 187 and 287 per year.

A Bureau of Justice Statistics study of prison entrants in 1979 found that, at the time of their admission, 28 percent would still have been in prison on an earlier conviction if they had served their maximum prior sentence.

Some simple arithmetic leads to a rough estimate of the annual damage wrought by a hypothetical offender. Multiplying the average cost of crime ($2,300) by the average number of offenses (187, the low end of the range), we find that a typical offender in the survey is responsible for $430,000 in crime costs. The cost to imprison this offender for one year is $25,000. Thus, a year in prison costs $405,000 less than a year of criminal activity. For 100 such offenders, the savings would be $40.5 million. A year of crime is 17 times more expensive for society than a year in prison.

Even if we take the lower end of the range and halve it, assuming 93 annual crimes per offender, the costs to society are $213,900 per offender, or $188,900 more than a year of incarceration. These estimates are very rough, of course, but they suggest that the costs of prison construction are several times lower than the costs to society of non-imprisonment.

Non-quantifiable Costs of Crime

Crime victims readily tally the direct costs of crime, out-of-pocket expenses, replacement of stolen property, lost time to report the crime or testify in court, medical costs, or emotional trauma. But there are indirect costs of crime that are difficult to quantify. Precautionary measures are undertaken to reduce the likelihood of repeat victimization. This can take the form of altered travel patterns or a wide range of locks and alarms, use of safe deposit boxes, purchase of steel doors. Polling data indicate that half of all Americans report that they cannot walk at night in their own neighborhoods without fear of crime. In Chicago and Boston, 60 percent of households have altered behavioral patterns because of crime rates. Crime avoidance costs taxpayers scarce time that could otherwise be spent on leisure or work.

Businesses pass on their direct cost of crime, which become indirect costs to consumers. The price of security and of stolen or shoplifted goods is paid by consumers. Banks pass on credit card fraud in the form of higher rates. Check kiting results in greater security at banks, which slows customer service at the teller window. Some businesses in high-crime areas must close their doors at night, creating inconvenience for residents who work during the day and leaving limited opportunities for part-time work by students.

Criminal justice professionals can also lose morale. In a recent survey by the *National Law Review,* prosecutors ranked the shortage of prison space as the number one problem in the war against drug traffickers. "It is hard to keep going after these guys when judges have no place to put them," commented one prosecutor.

The indirect costs of crime and the perception that government cannot protect the public creates a community environment that is unattractive to business, tourists, and residents. Citizens figure "why bother" reporting crime when little or nothing will happen to the offender. Once a community falls into this malaise, the resulting exodus lowers the tax base, stymies economic development, and raises the cost of social services.

Though the dollar amount of indirect costs of crime is nearly impossible to quantify, the causal connection between crime and altered behavior is clear. These costs will be incurred somewhere, either by a prudent use of taxpayer resources to build enough prison space or by citizens who must purchase their own iron bars to protect themselves from crime.

Lost Deterrence

To most drug dealers the prospect of making millions far outstrips the risk of a three-year prison sentence with a chance of parole in 18 months. A 15-year mandatory sentence with no chance of parole would send a dramatically different message.

If the threat of prison is to discourage persons from becoming criminals, it must be a credible threat. It must be backed up with actual prison terms. Researchers disagree about how certain the threat of imprisonment must be and how severe the sentence must be to deter criminal activity. In part, this is a recognition that a decision to commit criminal acts is individual and will vary according to each person's willingness to take risks.

Criminologists have tried to determine whether investment in prison capacity purchases a significant amount of deterrence. A study conducted by Kenneth Wolpin (then at Yale) compared what would happen if imprisonment was increased by 1 percent with what would happen if probation was increased by 1 percent. The conclusion was that twice as many crimes would be deterred by increasing imprisonment. A study by Michael Block at the University of Arizona concluded that moving a typical property offender from probation to a two-year prison sentence would prevent 80 property crimes.

Recent American history suggests that reductions in the

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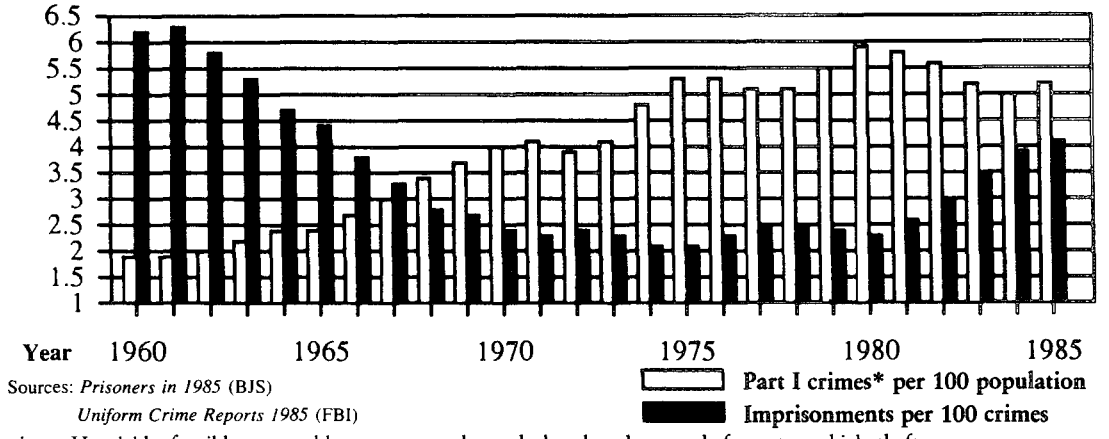
Figure 2

Crime rates and prison risks: 1960–1985



Sources: *Prisoners in 1985* (BJS)
Uniform Crime Reports 1985 (FBI)

*Part I crimes: Homicide, forcible rape, robbery, aggravated assault, burglary, larceny-theft, motor vehicle theft.

certainty of imprisonment will lead to higher crime rates. In 1960, the chance that an offender would receive a prison sentence were 6.2 percent. By 1983, the chance was exactly half that. (See Figure 2.) The low point in offender likelihood of incarceration was in 1974 when the chances fell to 2.1 percent. When chances of imprisonment were high (1960), crime rates were low. When chances of imprisonment were low (1974), crime rates were high. Crimes deterred by available prison space are another cost savings to society that should be weighed against the costs of prison construction.

Prefab Prisons

Efforts are underway on several fronts to lower the dollar costs of prison facilities. The National Institute of Justice has researched new modular techniques of prison construction that have been used experimentally to build a facility for $30,000 per bed space, which is substantially below the national average. This method can also add new space to existing facilities.

Privatization of certain aspects of prison management or the contracting out to the private sector of an entire facility also shows promise of being less expensive. Some private correctional facilities in operation today actually make a profit.

Prison industries that employ inmates are in use in several facilities. The wages paid to the prison workers are typically used to defray the cost of room and board. Other deductions go to the inmates' families to lower welfare costs. Restitution to victims paid from these wages would lower the cost to society of crime.

In South Carolina, inmate labor was used to construct prison facilities. This lowered the cost substantially and provided valuable job training for prisoners.

The federal government makes certain surplus property, including land, available to the states for the construction of prison facilities. In some instances, this can lower the cost of a new prison by 25 percent.

Legislative policies of tough sentencing are frustrated when the sentence cannot be delivered. In these times of tight-fisted fiscal policy, resources will have to be reallocated if prisons are to be built. By investing in new facilities, the costs of crime to victims, families, businesses, and communities can be lowered. Failure to maintain prison capacity to save costs now could be a false economy that causes further breakdown in the criminal justice system.

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HOMELESS IN GAZA

Arab Mistreatment of Palestinian Refugees

MITCHELL BARD

It is still unlikely that the Palestinian people will have their state. Despite conciliatory statements by Yassir Arafat that have led to the opening of diplomatic contact between the United States and the Palestine Liberation Organization (PLO), Israel and the U.S. will still oppose a Palestinian state in the West Bank and Gaza that would be threatening to Israel's security. Neither Arafat nor any other Palestinian leader has repudiated the provision in the Palestine Charter that calls for the destruction of Israel. Arafat's renunciation of terrorism remains to be tested, given his unwillingness to admit PLO involvement in prior acts of terrorism. It is also unclear whether even a more peaceful Arafat could control rival Palestinian leaders who remain implacably hostile toward Israel.

It is therefore all the more important to address the principal humanitarian concern of the Arab-Israeli conflict: alleviating the plight of the nearly 800,000 Palestinians living in refugee camps. Of these, 245,000 live in the squalid, densely populated camps of the Gaza Strip. Another 210,000 live in Jordan, 75,000 in Syria, and 95,000 in the West Bank. Perhaps the most victimized are the 145,000 living in Lebanon who have suffered not only from the Sabra and Shatila massacres at the hands of Christian Phalangists, but also from military attacks by the Syrians, the Amal militia, and rival Palestinian factions. Another 1.4 million Palestinians live and work in towns and villages in the Arab states, most prominently Jordan. These latter are classified as refugees, but have more or less resettled in their current homes.

The Palestinian refugee problem dates from the Arabs' rejection of the U.N. partition resolution in 1947. Israel accepted the partition, which would have left under Arab control many areas of Arab settlement, including the Galilee and the city of Jaffa. While Jerusalem would have been placed under international control, the surrounding areas would have been part of the Arab state. The Arabs, however, were unwilling to accept the existence of a Jewish state in any part of Palestine, and when Israel declared independence in May 1948, the armies of Egypt, Syria, Transjordan, Lebanon, and Iraq invaded—with the goal of driving the Jews into the sea.

Even before large-scale violence broke out, about 30,000 wealthy Palestinians fled to neighboring countries to wait out the coming storm. Then, in January 1948, large numbers of Arab irregulars infiltrated the country and engaged the Jewish forces. Throughout the period that preceded the May 15 invasion, there were large-scale military battles, incessant shootings, robberies, bombings, and beatings. Thousands of casualties resulted from the pre-invasion violence.

On April 9, 1948, the Irgun and Lehi Israeli paramilitary forces attacked the village of Deir Yassin and killed over 200 Arabs. Deir Yassin overlooked the main highway to Jerusalem, which the Arabs had blocked to cut off the Jewish inhabitants of the city from the rest of the country. Nevertheless, the barbarity of the attack prompted the Jewish Agency, the political representative of the Jews in Palestine, to send a letter to Transjordan's King Abdullah expressing its "horror and disgust."

Thousands of Palestinians fled their homes after word spread of the massacre at Deir Yassin. "It was collective fear, moral disintegration and chaos in every field that exiled the Arabs from Tiberias, Haifa, and dozens of towns and villages," according to Walid al-Qamhawi, a member of the Executive Committee of the PLO. As panic spread throughout Palestine, the early trickle of refugees became a flood, numbering over 200,000 by the time the provisional government declared the independence of the state of Israel. After the Arab armies invaded, another 300,000 Palestinians left.

Jews suffered similar massacres, but did not flee. For example, just four days after the reports from Deir Yassin were published, an Arab force ambushed a Jewish convoy on its way to Hadassah Hospital, killing 34 doctors, nurses, patients, and Haganah guards, and injuring another 23. In the first four months alone after the partition decision, more that 500 Jews were killed.

Golda Meir's Futile Plea

Palestinian flight from wartime hazards was not entirely motivated by panic. Palestinians were actively encouraged to leave their homes to make way for the invading armies. Iraqi Prime Minister Nuri al-Said, for example, said: "We

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Reuters/Bettmann Newsphotos

A Palestinian woman sits among the ruins of her house, destroyed during battles between rival Palestinian factions, in Lebanon's Bourj al-Barajneh refugee camp, 1988.

will smash the country with our guns and obliterate every place the Jews seek shelter in. The Arabs should conduct their wives and children to safe areas until the fighting has died down."

Golda Meir unsuccessfully pleaded with the Arabs of Haifa to stay in their homes. However, Jewish threats of physical violence encouraged the Palestinians to leave such towns as Ramla and Lydda.

Musa Alami, a Palestinian nationalist and Arab affairs adviser to the British High Commissioner in mandatory Palestine, put the causes of the Arab exodus into perspective:

> If ultimately the Palestinians evacuated the country, it was not out of cowardice, but because they lost all confidence in the existing system of defense. They had perceived its weakness, and realized the disequilibrium between their resources and organization, and those of the Jews. They were told that the Arab armies were coming, that the matter would be settled and everything returned to normal, and they placed their confidence and hopes in that. Moreover, they had before them the specter of Deir Yassin, with all its brutality.

Between 1947 and 1949, 500,000 to 800,000 Palestinians left their homes. However, about 170,000 Palestinians stayed and became citizens of Israel. The nearly three-quarters of a million Arab citizens of Israel today can vote, enjoy due process of law, own property, and otherwise share the full rights and responsibilities of citizenship, with the exception of being required to serve in the military.

The United Nations took up the refugee issue even before the exodus was complete, adopting Resolution 194 on December 11, 1948, over the opposition of the Arab states. The key paragraph resolved "that the refugees wishing to return to their homes *and live at peace* with their neighbors should be permitted to do so at the earliest practicable date, and that compensation should be paid for the property of those choosing not to return and for loss of or damage to property. . . ." It also instructed the Conciliation Commission to facilitate "the repatriation, *resettlement*, and economic and social rehabilitation of the refugees and the payment of compensation . . ." [emphasis added].

The emphasized words demonstrate that the United Nations recognized that Israel could not be expected to repatriate a hostile population that might endanger its security. The solution to the refugee problem would require at least some of the refugees to be resettled in Arab lands.

Rejected Offers for Resettlement

The resolution met most of Israel's concerns regarding the refugees, whom they regarded as a potential fifth column if they were allowed to return unconditionally. The Israelis did not expect the refugees to be a major issue; they thought that the Arab states would resettle the majority and some compromise on the remainder could be reached in the context of an overall settlement. As Chaim Weizmann, the first president of Israel, explained: "We are anxious to help toward such resettlement provided that

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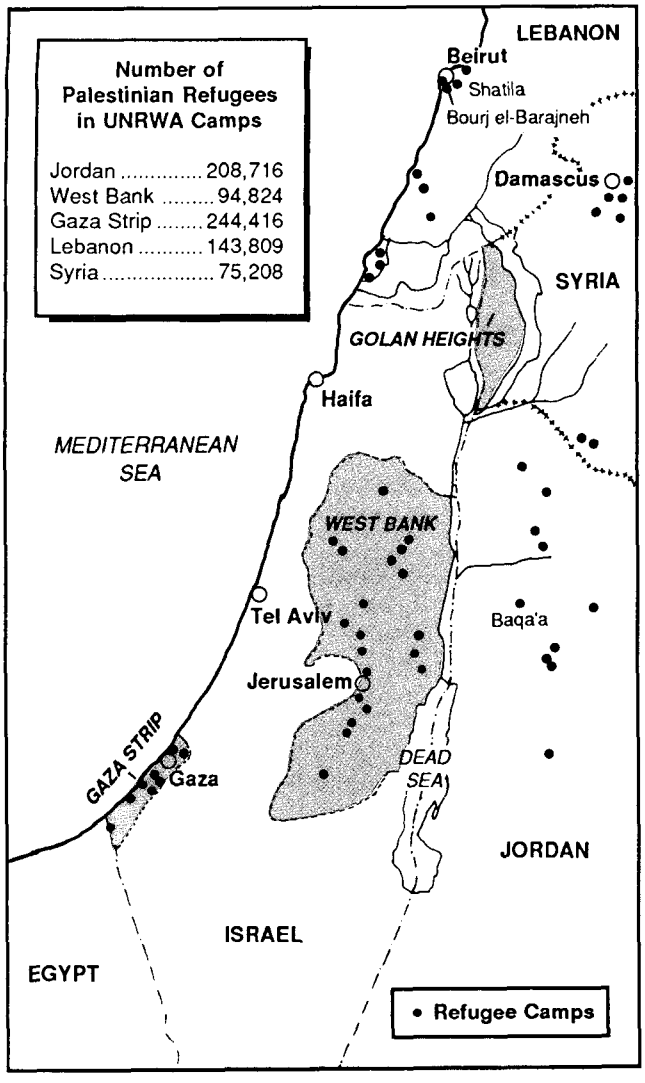

real peace is established and the Arab states do their part of the job. The solution of the Arab problem can be achieved only through an all-around Middle East development scheme, toward which the United Nations, the Arab states and Israel will make their respective contributions."

Israel offered Arab families that had been separated during the fighting the opportunity to return. They also offered to release refugee accounts frozen in Israeli banks, to pay compensation for abandoned lands, and to repatriate 100,000 refugees in exchange for a peace agreement. The Arabs were no more willing to compromise in 1949, however, than they had been in 1947.

Discussions concerning the refugees actually had begun in the summer of 1948, before Israel had completed its military victory. Consequently, the Arabs still believed they could win the war and allow the refugees to return triumphant. "It is inconceivable that the refugees should be sent back to their homes while they are occupied by the Jews, as the latter would hold them as hostages and maltreat them. The very proposal is an evasion of responsibility by those responsible. It will serve as a first step towards Arab recognition of the state of Israel and partition," stated the Secretary of the Arab Higher Committee in August 1948.

The Arabs made no secret of the fact that they saw the return of the refugees as a means of continuing the war against Israel. Egyptian Foreign Minister Muhammed Saleh ed-Din said: "It is well known and understood that the Arabs, in demanding the return of the refugees to Palestine, mean their return as masters of the Homeland and not as slaves. With a greater clarity, they mean the liquidation of the state of Israel."

It should not be surprising, then, that Israeli Prime Minister David Ben-Gurion would take a hard line against repatriating the refugees despite pressure from U.S. President Harry S. Truman. "Shall we bring back the refugees so that they can exterminate us for the second time, or should we ask America to take pity on us and send an army to protect us?," Ben-Gurion wrote in his diary in 1949. "We could not withstand American might," he continued, "but our self-preservation is more important to us than obedience to America."

No Arab Support for UNRWA

While the diplomatic avenues were being explored, the Palestinian refugees in Gaza, Syria, Lebanon, and Jordan were in desperate need of food and shelter. In 1948, there was no agency to provide aid to the Palestinians. Food, blankets, medical supplies, and other emergency provisions were contributed by various international agencies. The General Assembly subsequently voted to establish the United Nations Relief for Palestinian Refugees organization (UNRPR) to dispense aid to the refugees. The UNRPR was replaced by the United Nations Relief and Works Agency (UNRWA) on December 8, 1948, and given a budget of over $50 million.

The UNRWA was designed to continue the relief program initiated by the UNRPR, to substitute public works for direct relief, and to promote economic development. The proponents of the plan envisioned that direct relief would be almost completely replaced by public works, with the remaining direct relief provided by the Arab governments.

The Arab governments and the refugees themselves were unwilling to contribute to any development plan, which could have been interpreted as fostering resettlement. They preferred to cling to their interpretation of the U.N. resolution, which they believed would eventually result in repatriation. Their view then, which remains unchanged, was that the international community would recognize the injustice done to the Palestinians and take measures to redress that injustice. As the director of the UNRWA wrote in his 1964 report:

> In their own eyes they are not refugees at all in the sense in which that term is used to describe persons who have uprooted themselves and broken with their past in order to seek a new life in new surroundings and in a new country. The Palestinian refugees regard themselves rather as temporary wards of the international community, whom they hold responsible for the upheaval which resulted in their having to leave their homes. As they see it, the international community has a duty to enable them to return to their homes and, meanwhile, to provide for their maintenance and welfare.

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About 24,000 Palestinian refugees returned to Israel within a few months after the war's end. Jordan was the only Arab country to welcome the Palestinians and grant them citizenship (to this day, Jordan is the only Arab country where Palestinians can become citizens). Although demographic figures indicated there was ample room for settlement in Syria, the Syrian government refused to accept any refugees except those who might refuse repatriation. Iraq was also expected to resettle a large number of refugees but proved unwilling. Lebanon, where approximately 300,000 Palestinians now reside (most as a result of their expulsion from Jordan in 1970-71 after a civil war between the PLO and King Hussein's army), insisted then that there was no room for the refugees.

After the war, Egypt controlled the Gaza Strip and its more than 200,000 inhabitants, but refused to allow the Palestinians into Egypt or permit them to move elsewhere. In June 1949, Israel offered to accept the refugees if Egypt agreed to give up the territory. After learning that there were nearly twice as many Palestinians in the Strip as they originally thought, however, the Israelis revised their offer and said they would accept 100,000 refugees in return for the Gaza Strip. The Egyptians said "no."

The unwillingness to resettle the refugees was partly related to the Arabs' belief that such an action would legitimize the existence of Israel and permit the Israelis to evade their responsibility to allow the Palestinians to return home. As the years passed, this argument also became useful to Arab states determined to eschew any obligation to their brethren.

The callous disregard for the lives of the refugees was exemplified by the Arab states' contributions to the fund established by the United Nations in 1952 to reintegrate the refugees into the economic life of the Middle East by repatriation or resettlement. The total Arab pledges amounted to $598,000. Israel contributed almost $3 million; the United States pledged $25 million.

Many Palestinians were unhappy with the treatment they were receiving from their Arab brothers. Some, like Musa Alami, were incredulous: "It is shameful that the Arab governments should prevent the Arab refugees from working in their countries and shut the doors in their faces and imprison them in camps." The majority of the refugees, however, focused their discontent on the Jews, whom they blamed more than they did the vanquished Arab armies for their predicament.

Refugee Racket

While many of the refugees would no doubt have preferred to work and live in another Arab country rather than stay confined to a refugee camp for years, most still hoped to return to their homes. As the Commissioner-General's 1955 UNRWA report cited: "The outstanding factor which continues to condition refugee attitudes and to influence the policy of Near Eastern governments . . . is the strong desire of the refugees to return to their homeland. This feeling has not diminished . . . and its strength should not be underestimated."

No one had expected the refugee problem to persist. The director of the UNRWA wrote in his 1951 report that he expected the Arab governments to assume responsibility for relief by July 1952. "Sustained relief operations inevitably contain the germ of human deterioration," he warned. Sadly, he was correct.

The Palestinian refugees considered "relief in general, and rations in particular, not as something to which they must show their entitlement, but rather as a right—as a partial payment by the world at large for their involuntary expulsion from Palestine and continued exile from their homeland," the UNRWA director wrote in 1955.

"The Arab states do not want to solve the refugee problem. They want to keep it as an open sore, as an affront to the United Nations and as a weapon against Israel. Arab leaders don't give a damn whether the refugees live or die."

—UNRWA director, 1958

This attitude was exacerbated by the fact that most of the refugees were better off materially under the UNRWA's administration than they had been in their original homes. *Time* reported in 1957 that the refugees "have a higher daily caloric ration (1,500-1,600) than some of the *fellahin* [agricultural workers] in Nasser's Egypt, better health and sanitation than they had ever known in Palestine." *Life* called refugee status "something between a blessing and a racket."

As a result of the "advantages" of refugee status, many destitute inhabitants of the countries housing the refugees sought and received ration cards. As early as 1950, the UNRWA discovered that births were always registered for ration purposes, but deaths were frequently concealed so that the family could continue to obtain the rations of the deceased. This trend was institutionalized over time, making it impossible to determine the true number of Palestinian refugees, then defined by the United Nations as people who had been living in Palestine for at least two years (as of May 1948) and had lost their homes and means of livelihood as a result of the war.

The Arab governments did not permit a census to be taken of the refugee population. The figures that were reported in UNRWA documents were compiled by the Area Staff, which was composed of local Arabs. Thus, when the head of the UNRWA, Henry Labouisse, was asked in 1955 how close the estimates of the refugee population were, he replied, "Not very close." Meanwhile, the numbers continued to grow, and by 1954, the UNRWA had nearly 900,000 people on its rolls and had spent over $120 million.

The refugees were understandably bitter over their con-

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finement. Rather than venting their displeasure toward the Arabs for restricting them to camps, the refugees reserved all their resentment for Israel and the West, which they held responsible for the injustice done to them. From the beginning, the camps fostered the hatred of Israel that would evolve into a vigorous Palestinian nationalist movement. The Arab states had no incentive to resettle the refugees so long as they continued to express their hostility toward Israel.

The Israelis blamed the Arabs for creating an atmosphere where hatred could smolder. They also contended that it would be dangerous to repatriate several hundred thousand people who had grown up in such an environment.

Annihilating Israel

The plight of the refugees remained unchanged after the Suez War. In fact, not even the rhetoric had changed. The 1957 Refugee Conference at Homs, Syria, passed a resolution stating: "Any discussion aimed at a solution of the Palestine problem which will not be based on ensuring the refugees' right to annihilate Israel will be regarded as a desecration of the Arab people and an act of treason."

By the end of the decade, the number of refugees nearly doubled as a result of natural increase to almost one million. Their treatment was best summed up by another UNRWA director who wrote in 1958: "The Arab states do not want to solve the refugee problem. They want to keep it as an open sore, as an affront to the United Nations and as a weapon against Israel. Arab leaders don't give a damn whether the refugees live or die."

By 1961, 60 percent of the 500,000 adults dependent on UNRWA had matured to adulthood as refugees. They were more literate than were their parents, but most did not possess any marketable skills because they had not had an opportunity to learn a trade. About 70 percent of the refugees were unskilled workers, shopkeepers, herders, and farmers who were not accepted by Arab countries that already had an oversupply of these types of workers.

The relief rolls exceeded one million registrants, but fewer than 40 percent of the refugees remained in camps by mid-1962. Two years later, the commissioner-general of the UNRWA estimated that less than half of the refugees could be considered destitute. Approximately 30 to 40 percent were partly self-supporting and 10 to 20 percent were believed to be in no need of aid. These were primarily Palestinians who had or acquired skills for jobs available in the Arab world. The relief rolls continued to expand, however, because refugees who had at least partially integrated themselves into their host countries and no longer needed aid were unwilling to give up their ration cards or their refugee status.

The Palestinian refugee problem dates from the Arabs' rejection of the U.N. partition resolution in 1947.

Between November 1948 and the 1967 war, the United Nations General Assembly adopted 23 resolutions that expressed variations on the theme of Resolution 194, which called for the resettlement or repatriation of the refugees. Israel continued to express a willingness to negotiate. In an address to the U.N. General Assembly on October 10, 1960, Foreign Minister Golda Meir challenged Arab leaders to meet with Israeli Prime Minister Ben-Gurion to negotiate a peace settlement. Egyptian President Gamal Nasser answered on October 15, saying that Israel was trying to deceive world opinion and reiterating that his country would never recognize the state of Israel.

The Arabs were equally adamant in their refusal to negotiate a separate settlement for the refugees. As Nasser told the United Arab Republic National Assembly on March 26, 1964: "Israel and the imperialism around us, which confront us, are not two separate things. There have been attempts to separate them, in order to break up the problems and present them in an imaginary light as if the problem of Israel is the problem of the refugees, by the solution of which the problem of Palestine will also be solved and no residue of the problem will remain. *The danger of Israel lies in the very existence of Israel as it is in the present and in what she represents*" [emphasis added].

Nasser readily acknowledged the threat that the refugees posed to Israel when he told an interviewer on September 1, 1961: "If Arabs return to Israel—Israel will cease to exist." Such statements reaffirmed Israel's belief that solving the refugee problem would not end the conflict; therefore, there was no point in trying to deal with the problem outside the context of peace negotiations.

Second Exodus

After the 1967 war, the international community was once again called to the aid of the Palestinians as a result of their displacement from the occupied territories. The UNRWA estimated that 175,000 of its registrants had fled for a second time and approximately 350,000 fled for the first time. About 200,000 moved to Jordan, 115,000 to Syria, and approximately 35,000 left Sinai for Egypt. The secretary-general of the United Nations, U Thant, published a report citing 325,000 as the total number of people who left the occupied territories. Most of the Arabs who left had come from the West Bank.

Israel allowed some West Bank Arabs to return, despite Jordan Radio's appeals for the Arabs to harass the Israelis. In 1967, over 9,000 families were reunited and, by 1976, over 44,000 people had been allowed to rejoin their families. On the other hand, Jordan in July 1968 prohibited migration from the West Bank and Gaza for persons intending to remain in the East Bank.

By the end of the 1960s, there were over 1.5 million refugees dispersed throughout the Arab world. UNRWA support continued largely because of the commitments of the United States and the United Kingdom. The strength of their commitments relative to the rhetoric of other nations can be seen from the contributions over the years.

The UNRWA's total income from 1950 to 1969 was

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$696 million. Governments contributed $667 million. Of this total, the United States provided over 68 percent ($456 million) and Britain gave 16 percent ($110 million). By 1972, the 19 Arab states, which had expressed such heartfelt concern for the Palestinians had contributed only $23 million, less than 5 percent of the United States' contribution. The five richest oil-producing states had provided a total of only $8.5 million. The Communist bloc did not contribute a penny; Israel gave $4 million. Despite their financial assistance, the Western nations continued to be looked upon with disdain while the Eastern bloc was considered friendly to the Arab cause.

In addition to the refugees, there was now a new class of Arabs, those in the occupied territories living under Israeli military rule. Like the refugees of 1948, these Palestinians were victimized by their brethren. Nasser's belligerence doomed the Arabs of Gaza. King Hussein's refusal to heed Israeli warnings to stay out of the 1967 War led to the loss of the Palestinians' homes in the West Bank.

The future of these new refugees became dependent on a peace settlement or some unilateral Israeli withdrawal. Israel annexed East Jerusalem. A peace settlement based on territorial compromise was out of the question after the Arab states announced their "three noes" (no peace with Israel, no negotiations with Israel, no recognition of Israel) in Khartoum in August 1967. Approximately 65,000 Arabs were affected in Jerusalem. Meanwhile, 6,396 Arabs in the Golan Heights, 596,637 in the West Bank, 356,261 in the Gaza Strip, and 33,441 in northern Sinai came under military rule.

Enforced Homelessness

With the exception of the requirement that school texts in the occupied territories be purged of anti-Israel and anti-Semitic language, the authorities tried not to interfere with the inhabitants. Israel provided some economic assistance and moved some refugees in the Gaza Strip from camps to new houses. Ironically, this led to protests from Egypt, which had done nothing for the refugees during the nearly two decades it controlled the area. Subsequent efforts by the Israelis to move the refugees out of the camps have also met with opposition from the Arab states who have pushed the adoption of a U.N. resolution each year since 1971 demanding that Israel desist from the removal of Palestinian refugees from camps in Gaza and the West Bank. They prefer to keep the Palestinians in a position where their hostility can fester and where they will be symbols of Israeli "oppression."

The attitude of Palestinians who have grown up under occupation differs from that of those who endured the hardships of the 1948 war. The younger generation does not want to return to homes most never knew. They have a more ideological commitment based on the belief that the Palestinians were victims of Zionist aggression and that justice requires that Israel be liquidated. This is a typical pledge of allegiance for Palestinian children in the camps:

Palestine is our country.
Our aim is to return.
Death does not frighten us,
Palestine is ours,
We shall never forget her.
Another homeland we shall never accept!
Our Palestine, witness, O God and History,
We promise to shed our blood for you!

Although most Palestinians are no longer in camps and are largely self-sufficient, their freedom is still sharply limited not only by Israel's occupation authorities, but by the Arab states (except Jordan), which still do not permit them to become citizens and restrict their movement and employment. These constraints are largely responsible for the frustration and bitterness that has exploded in the occupied territories. The Palestinians also remain frustrated that they are thought of as refugees rather than as a people with a right to self-determination.

The geographic and economic limitations of the West Bank and Gaza Strip would preclude the resettlement of all the Palestinian refugees on Palestinian soil.

The PLO also has more selfish reasons for refusing to take any action that might be seen as moderate or conciliatory and thus present the opportunity for ameliorating the plight of the refugees. After all, the frustrated and bitter inhabitants of the camps provide the various Palestinian factions with their *fedayeen* (anti-Israel commandos). As early as 1973, the UNRWA complained that the PLO had taken over some of its buildings in Lebanon. When that country descended into chaos, the UNRWA was forced to secure the cooperation of the PLO to carry out its mission. Although UNRWA officials feigned ignorance, the Israelis learned prior to their 1982 invasion that the PLO was using agency facilities for bases. During the war, Israeli soldiers found anti-Israel propaganda, military uniforms, and stockpiles of weapons in a UNRWA school near Sidon.

Facing Reality

With the exception of the far right in Israel, most now recognize the Palestinians as a people, but this does not mean that their demands must be met. The Arab-Israeli conflict remains the context in which Palestinian calls for self-determination are made and therefore a "just solution" to the Palestinian problem must also meet Israel's criteria for insuring its own security.

The Palestinians need not give up their claims (though a willingness to compromise would increase the chances of reaching their goals immeasurably) for the plight of the refugees to be improved. In the meantime, the Palestinian children from the camps who are now throwing stones are being taught to hate not only Israelis but Jews as the anti-Semitism purged from school textbooks is perpetuated through oral indoctrination.

Israel continues to assert its willingness to negotiate, but

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it is no longer possible for a compromise to be reached in which Israel would accept large numbers of Palestinians. In fact, there is a growing movement in Israel to do just the opposite, that is, expel those who live in the West Bank and Gaza. Fortunately, this remains a minority view.

The Palestinians, meanwhile, no longer want to be repatriated unless it is to the Palestine that existed before the establishment of Israel. This will not happen. Israel will not commit suicide, as Ben-Gurion said four decades ago.

No conceivable Arab-Israeli settlement can alleviate the refugee problem without a commitment by the Arab states to resettle large numbers of Palestinians.

Recently, PLO officials have talked about a settlement that would be based on the 41-year-old partition resolution, but Israelis insist that too much has occurred in the interregnum. The borders of the Jewish state created by the U.N. did not include Jerusalem, and can no longer be considered relevant after five wars. Thus, any effort by the Palestinians to obtain recognition for a state on the basis of what transpired in 1947 will fail.

Resettlement Precedents

Even if the Palestinians were to declare their independence in only the West Bank and Gaza, and Israel were to acquiesce (a farfetched prospect), there is not enough land nor enough employment opportunities to settle more than a fraction of the refugee population.

Consequently, the only solution is for the Arab states to accept the responsibility that they have avoided for more than 40 years and allow the Palestinians to become citizens of their states and integrate them into their societies. Historically, this is how all refugee problems have been solved. No other displaced persons have become wards of the international community the way the Palestinians have. The German minorities in Poland and Czechoslovakia who were expelled after World War II were allowed to take only those possessions they could carry. They received no compensation for confiscated property and no international assistance. Finland was forced to give up almost one-eighth of its land and absorbed over 400,000 refugees from the Soviet Union. These were the losers of the war. There was no aid for their resettlement.

One frequently cited example of a population transfer that caused suffering for millions of people was the partition of India and Pakistan, which also occurred in 1947. The eight million Hindus who fled Pakistan and the six million Moslems who left India were afraid of being a minority in their respective countries. Like the Palestinians, these people wanted to avoid being caught in the middle of the violence that engulfed their countries. In contrast to the Palestinians, however, the exchange of populations was considered the best solution to the problem of communal relations between the two states. Despite the enormous number of refugees and the relative poverty of the two nations involved, no special international relief organizations were established to aid them in resettlement.

The number of Jews fleeing Arab countries for Israel in the years following Israel's independence was roughly equal to the number of Arabs fleeing Palestine. Many Jews were allowed to take little more than the shirts on their backs. These refugees had no desire to be repatriated. Of the 820,000 Jewish refugees, 586,000 were resettled in Israel at great expense and without any offer of compensation from the Arab governments, who confiscated their possessions. Israel has consequently maintained that any agreement to compensate the Palestinian refugees must also include Arab compensation for Jewish refugees.

Palestinian Pipe Dream

So long as the Palestinians remain refugees, they will continue to grow more bitter and new generations will mature with a motive for perpetuating the conflict. Hundreds of thousands of Palestinians have never known any life other than that of occupation. Similarly, Israelis entering the army have known Israel only as an occupying power, a country denied peace by its neighbors. It is in the interests of both Palestinians and Israelis that the refugee problem be resolved.

One possible solution is to move Palestinians in the Gaza and West Bank camps out of their overcrowded shacks and into more permanent housing. This will require the Arab states to abandon their opposition and to provide financial assistance for construction.

A second option is to resettle large numbers of Palestinians in the Arab world. The Arab states should permit Palestinians to become citizens. This would allow those already living in Arab states to integrate into society and permit Palestinians living in camps to settle in the nation of their choice. The Palestinians in Lebanon, who are a destabilizing force in that fractured nation, present a particular problem. Giving them the option of settling in Syria or some other Arab land offers the best possibility for ameliorating their plight.

Today it remains a pipe dream that a Palestinian state will be created in the territories occupied by Israel without a radical change in the negotiating positions of both sides. Even if such a development were to occur, the geographic and economic limitations of the West Bank and Gaza Strip would preclude the resettlement of all the Palestinian refugees on Palestinian soil.

The United States can help to stabilize the region and advance the peace process by making it clear that there is no conceivable Arab-Israeli settlement that can alleviate the refugee problem without a commitment by the Arab states to resettle large numbers of Palestinians.

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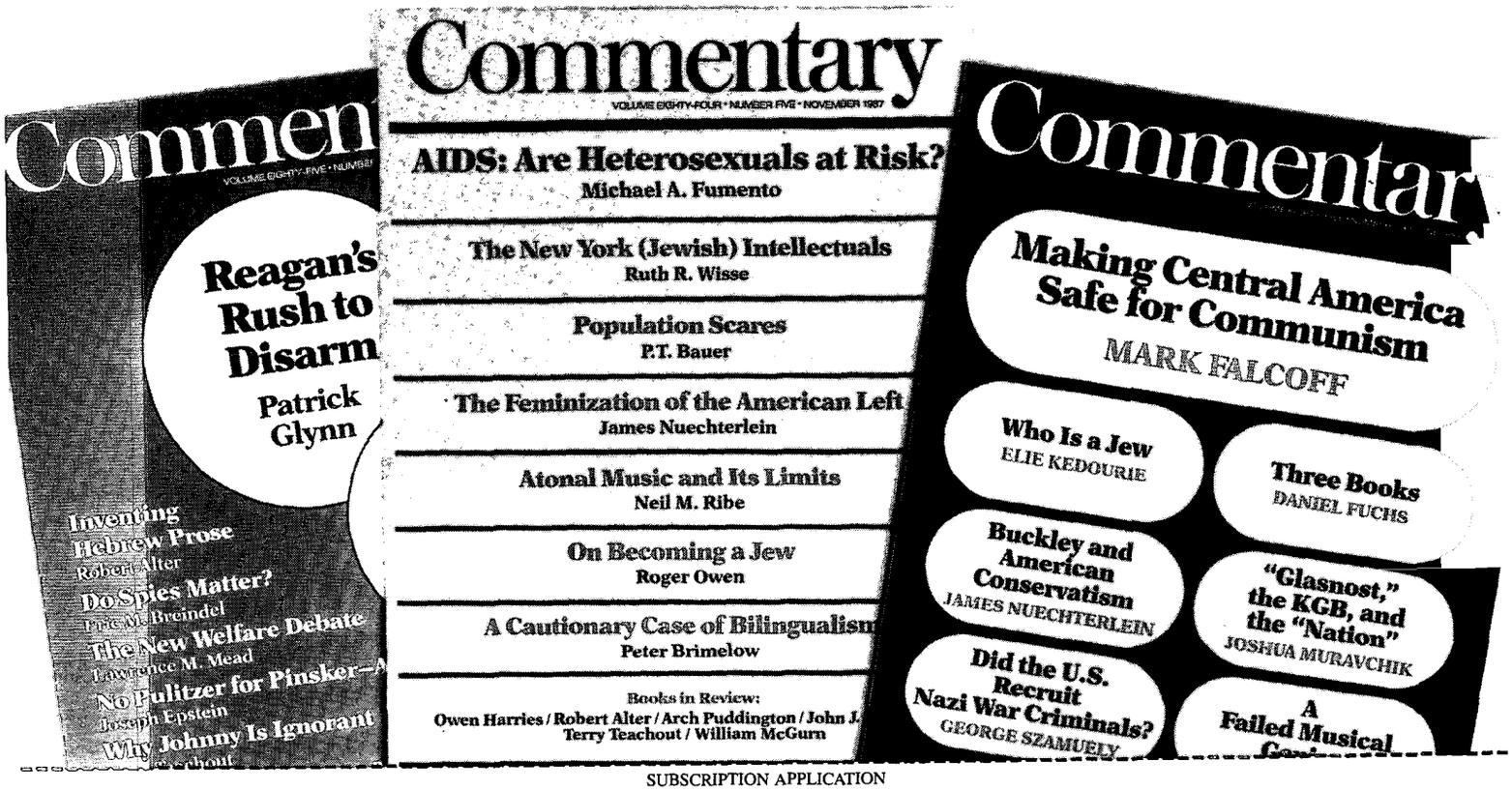

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LEARNING FROM LBJ

How the Pros Handle Congress

WILLIAM J. GRIBBIN

President Bush must determine at the outset whether he will run a Johnsonian or Nixonian system of congressional relations. His choice will be critical to the performance of the Office of Legislative Affairs (OLA), as will his willingness to curb Cabinet government, to raise the general level of competence in the White House staff, and to bolster the proficiency of the office with a clear, long-range strategy.

In the Johnsonian model, the president is personally familiar with Capitol Hill and its players. He has been, or quickly makes himself, part of the system. He thus recognizes the inevitability of congressional impositions and resolves to deal with Congress as the key to his success. In a Nixonian model, the president is not at ease with congressmen individually or with Congress institutionally. He remains aloof either by choice or ineptness. He lacks personal connections on the Hill and has few real friends there. He sees Congress as simply another obstacle to the accomplishment of his goals, but is unwilling to make adjustments or to employ tactics not familiar to him.

In the Johnsonian model, the *president* must win. Perhaps not this time around, but eventually. He and those who work for him understand that there is no substitute for ultimate victory. Because he is not interested in compromises, except of a temporary and superficial sort, a Johnsonian president recognizes he has real friends and real enemies in Congress. He rewards allies and punishes opponents. He strives for a majority of power, not for a consensus of sentiment.

In the Nixonian model, by contrast, the president must be on the winning side. What matters are triumphs, even if they are borrowed. The problem with this approach is that it is possible for the president to be always on the winning side only if he is always open to the possibility of changing his position. Thus, a Nixonian president hedges his bets. So do those who work for him: Why, after all, should they stick their necks out ahead of his? Accordingly, the president lacks permanent friends in Congress—indeed, within his own administration—for those who agree with him today never know when he might abandon them to deal with their opponents. One can hardly imagine a better summary of the last years of the Nixon administration.

In the early years of Ronald Reagan's term in office he seemed to have a Johnsonian relationship with the Congress. Though not part of the Hill's old-chum network, he was certainly part of the nation's political establishment. As a two-term governor of California, he was no outsider. A party loyalist, gregarious and outgoing, he seemed the best arm-twister since LBJ. He also seemed determined to win.

Most of that was illusion, though it took time for the realities to sink into the collective awareness of Congress. In fact, President Reagan was as distant personally from members as was his predecessor. On the one hand, he was adamant (in a Johnsonian mode) about his fundamental principles, without which more tax increases would have succeeded. On the other, he acquiesced (in a Nixonian mode) to the efforts of others to impose tremendous new Social Security taxes and other "revenue enhancements," and frequently followed the path of seeking a "bipartisan solution," which undercut the morale and effectiveness of his staunchest allies.

In short, congressional relations in the Reagan White House had aspects of both Johnsonian and Nixonian operations. Perhaps that is the case in most administrations. But this should give pause to President Bush. His long-run success or failure may be determined, not by one or another clever strategy or bold initiative, but by certain assumptions and attitudes on his part and among his advisors that will make his relationship with Congress either Johnsonian or Nixonian.

Five-Minute Quickies

President Reagan's Office of Legislative Affairs was hampered by weaknesses in the senior White House staff, one or more of whose members:

- Opposed including one of two New York senators in a presidential visit to New York City because "New York City's not in his district."
- Upon discovering the racial composition of Grenada

WILLIAM J. GRIBBIN *served as deputy director of the Office of Legislative Affairs during the first year of the Reagan administration, and as editor-in-chief of the Republican Party platforms of 1984 and 1988. This article is excerpted from The Heritage Foundation's* Mandate for Leadership III.

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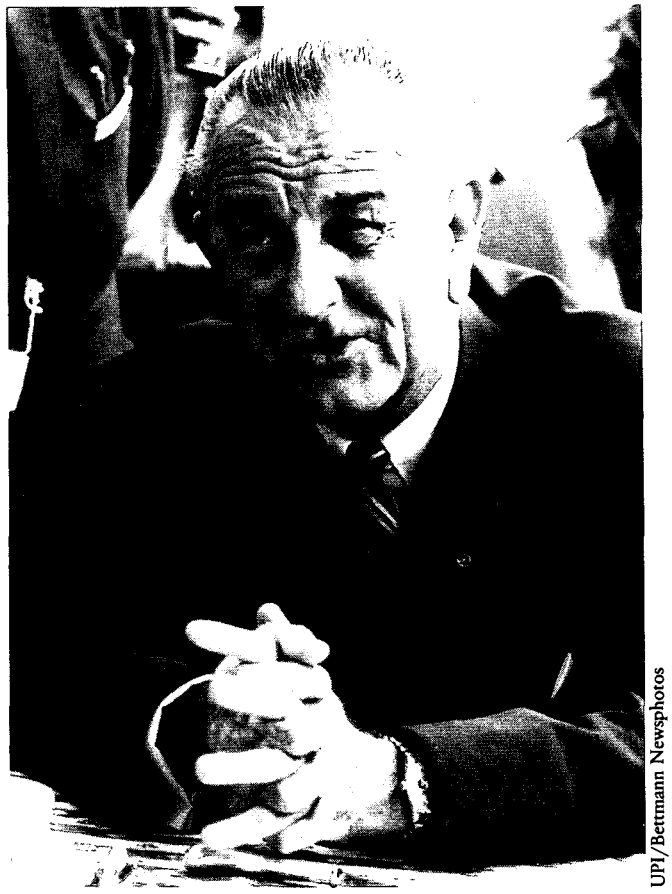
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Nixon made sure he was on the winning side. Johnson made sure he won.

several days after its liberation, exclaimed, "You mean we invaded a black country?"

• Asserted that certain senators could not be pro-life because they were Democrats.

• Decided to announce Mr. Reagan's opposition to an antibusing rider, only months after his public criticism of a veto of a similar measure by President Carter.

This mere sampling is not meant to be either gossipy or petty. But one must cite such specifics to convey adequately the hindrances with which the Office of Legislative Affairs had to deal throughout the Reagan years. Take the matter of five-minute congressional quickies: members introduce the president to Miss Sweet Potato or bring by a boy scout who saved someone's life or present the president with handicrafts from the folks back home. These photo opportunities matter greatly to the members, boost their popularity, and make them more amenable the next time the White House lobbyists come by to ask for their votes. But when the person controlling the president's schedule scorns them, preferring to reserve office time for events like an exchange of birthday gifts with Elton John, the Legislative Affairs staff is lucky to get its toe in the Oval Office door. (The event with Mr. John was never made public, but photos do exist.)

There was a certain mind-set brought from Sacramento. To many of the Californians, the national legislature was simply a more annoying version of the institution they had faced in Sacramento. It was remarkable that none of them had ever been a member of their state legislature, or even run for elective office. They knew little about a legislative view of process and prerogatives.

It is no wonder that personnel disputes between the Reagan White House and Republican members of Congress were a recurrent headache for the Legislative Affairs office. A few years later, a remarkable package of endorsements from leading Republican senators and congressmen on behalf of the Hill's foremost expert on the FTC brought only a *pro forma* interview at the Presidential Personnel Office, where the interviewer had already reserved the FTC vacancy for himself. Sometime later, the endorsement by virtually all Senate Republicans of one of the Hill's most respected GOP women was not enough to get her seriously considered for a seat on the Federal Elections Commission. Such instances have been legion, and each one has made it a bit harder for the OLA to succeed in its overall mission. This is not to say that the president should have yielded jobs in the executive branch to whomever members wanted, but congressional interest in these matters should have been taken far more seriously.

Enforcing Loyalty

Against this backdrop, the achievements of the Legislative Affairs office have been all the more creditable. Through hard work and reliability, the staff restored White House-congressional relations after their virtual collapse during the Carter years. Officials throughout the administration and in the White House itself would have been wise to follow their example: returning every phone

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call, no matter how late at night; ignoring no request, even if the answer must be a polite negative; putting up with impositions of all sorts in order to advance the president's chances of winning on the Hill.

It helped mightily that the Reagan administration entrusted the formation of the office to a well-known, widely trusted veteran of Nixon-Ford congressional affairs, Max Friedersdorf. It helped that he was given a lead role in selecting the heads of major congressional relations offices around government, thus imprinting a pattern of loyalty to the White House agenda in departments that might need a reminder in that regard. It helped that the OLA had a policy anchor in the deputy's role as an internal troubleshooter, minimizing problems with the Hill that might be caused or exacerbated by other offices. It helped, too, that the office was willing to make life extremely difficult for departmental offices that were slow to adjust to Mr. Reagan's presence in the Oval Office. Certain Department of Defense personnel intended to continue their practice of giving Democratic members notice about appointments to the military academies ahead of Republican members. Officials at the Centers for Disease Control intended to present pro-abortion papers at a Planned Parenthood meeting as part of their official duties. A USDA official assured the press he wouldn't let the Reagan White House dictate his management of certain nutrition programs. In these and other cases, frivolous or profound, it was important for the Legislative Affairs office to show the Hill that Reagan policy was being enforced.

Restore the constitutional role of the vice president as the presiding officer of the Senate. In that capacity, the vice president should be responsible for many of the high-level dealings between the White House and the Congress.

In all these ways and others, the OLA quickly established its reputation as the best White House legislative shop in memory. On the other hand, when a ship runs aground, the rowers down below are the first to get blamed. That explains the "failures" of the Legislative Office in the later years of the Reagan administration, most of which involved the inability of the office to compensate for mistakes that were accumulating elsewhere.

A major cause of "failure" in the OLA was the unwillingness of the White House to discipline Cabinet members. The flagrant autonomy of most Cabinet chiefs eroded both the credibility of the Legislative Affairs office on the Hill and its ability to insist upon a clear policy line there.

The most crippling blow against the office's effectiveness on the Hill was the decision of administration strategists to part company with the president's Republican base in the House of Representatives on several key issues, especially taxes. Once congressional Republicans realized the White House had no permanent alliance with them, they would have no permanent interest in the administration.

Reluctance to Offend

There were some flaws within OLA as well. One serious one was the tendency to foster an unrealistic attitude toward the president's hardened enemies in Congress. This was partly out of habit, for congressional relations folk are understandably reluctant to offend a member with whom they might have to deal in the future. Extraordinary care was taken not to anger members who, under the best of circumstances, would remain mortal enemies to everything the president stood for—and would *never* vote with the president on a major issue. And so, the OLA had the president engage in jolly public interaction with his chief Hill opponents. President Reagan later paid the price for such public relations mistakes. How could he convince the public in his televised addresses that Hill opponents of Contra aid were dangerous schemers when he himself had all along confirmed them in their role of the "loyal opposition"?

This is, in part, the result of the failure by Legislative Affairs to realize from the outset that there could be no accommodation with the president's ideological opponents; the congressional Left could behave despicably toward Mr. Reagan, but he was institutionally inhibited from striking back in kind. Reversing that situation is probably the most urgent mission for the Legislative Affairs office in the next administration.

Recommendations

The following recommendations are based on the assumption that the president wants to succeed in enacting his legislative program and that he realizes that this will take more then a business-as-usual approach to congressional relations. If President Bush is serious about *winning*—as distinct from merely being on the winning side—he should make legislative affairs his primary theater of operation. Some of these recommendations may seem trivial or superficial, but successful congressional relations depend heavily on symbolic actions, gestures, and the creative direction of public affairs.

The president should keep in mind that no matter what the specific audience or circumstance he is addressing, he is really speaking to the American people. When they respond, Congress listens. That should be remembered in assessing and implementing these proposals:

- Restore the constitutional role of the vice president as the presiding officer of the Senate. In that capacity, the vice president should be responsible for many of the high-level dealings between the White House and the Congress. This will inevitably make him a powerful figure in his own right, but a strong president should welcome that prospect. If his vice president is a former senator, all the more auspicious!
- Be president of all the people, but don't try to be a

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colleague of all the Congress. Each president has real enemies, not just opponents—and both they and the public should know that he knows and will treat members accordingly.

• Do not tacitly legitimate corrupt power structures by appearing on network television joking and backslapping with members of Congress who are hostile to your policies and dangerous to the country's future. If a president signals to the American people that his adversaries are just "regular guys," then politics is just a game and it doesn't matter who wins. Why should anyone else care, and why should they ever get mad at their congressman just because he obstructs the president's policies?

• Keep the Legislative Affairs offices at least as close to the Oval Office as they now are.

• Hire as director of the office someone with sufficient personal prestige that he cannot be intimidated by other advisers. Only someone who is in a position to walk off the job in protest can do it as well as it needs to be done.

• Assure the director of the OLA personal access—easy, informal, unscheduled, frequent access—to the president.

• Explain to the director, and make sure the explanation is relayed to the office staff, that the president is interested in legislative victories over the long term rather than being on the winning side in the short term. It's the total record that counts, not winning every roll call.

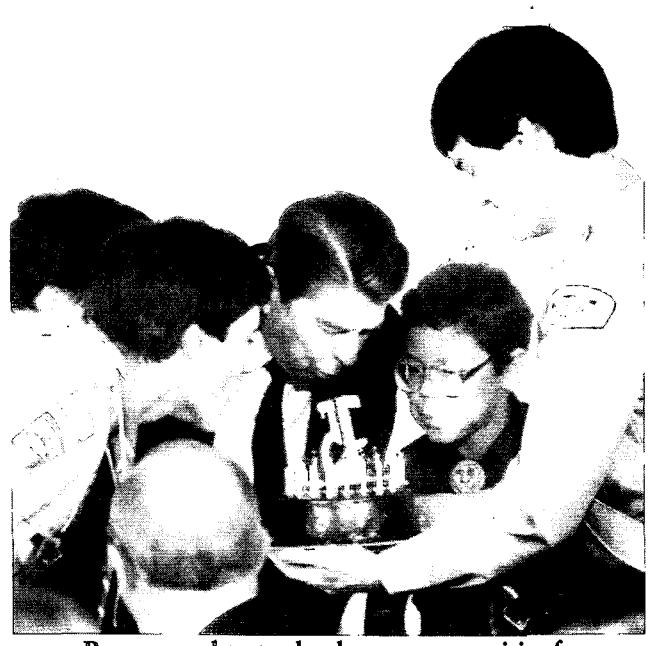
• Appoint as deputy director someone who is respected as a policy analyst as well as a legislative affairs hand, so that the legitimate interests of congressional affairs—which often means nothing more than placating powerful or threatening members of Congress—will be counterbalanced by commitment on the issues.

• Solidify the political base—in a hurry. Immediately consolidate a one-third-plus-one margin in the House and Senate. The veto will be the only trump card in a game where the stakes are the nation's future. That means, from the outset, paying extraordinary attention to ideological friends on the Hill, for, in the final analysis, all the others will let the president down. This may sound radical, but it is nonetheless true.

• Issue veto threats only in the president's name, not in the name of aides. The formula used by the Reagan administration—"the president's senior advisers would recommend a veto"—became a joke on the Hill.

• Ensure that all appointive congressional relations positions throughout government are awarded by the White House, through the Office of Legislative Affairs. Throughout the entire executive branch, legislative offices should form a network of loyalty to the president's program, with their jobs dependent upon the White House legislative director as much as the agency head.

• Give a grown-up State of the Union Address. Make it short and make it businesslike. The president should surprise the American people with a mature speech that lets them—and Congress—know he is not going to conduct "politics as usual."



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Be prepared to trade photo opportunities for congressional support.

◦ Fire somebody, anybody, for not staying in line with administration policies. The best way to show official Washington that the president will not be a legislative patsy is to fire the first departmental—or White House—official who contravenes or undercuts his position.

◦ Hold all legislative strategy meetings in the Oval Office. The formation of a Legislative Strategy Group without presidential participation early in the Reagan administration played an important part in the unprecedented abdication of presidential power.

◦ Regain control of the president's daily schedule by resisting the seizure of his schedule by the Department of State. The incredible impositions of time made by the State Department upon the president's workday would not be tolerated coming from any other segment of the government. The president's first priority in terms of time should be Congress and his legislative program, foreign and domestic.

◦ Socialize with members of Congress. Most do not bite. That means more than maintaining a ceremonial friendship with a key figure or two. The informal dimension of congressional relations is invaluable for a chief executive who really wants to be a player on Capitol Hill.

◦ Insist upon a certain degree of spontaneity in relations with members of Congress. The president does not really need a script to call a member, ask for a vote, inquire about his family, register a complaint, or extend a thank-you for a vote that may have been particularly difficult.

◦ Read a healthy sampling of incoming congressional mail, including all items from key leaders. There is no telling what the president may learn about his own administration.

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False Start?

The Fleeting Gains at Head Start

Enid Borden and Kate Walsh O'Beirne

For the past 20 years Project Head Start has been a favorite program of liberals and conservatives alike. The *New York Times* has called it the "Great Society jewel." Senator Edward Kennedy wants to build it into "a comprehensive program of national investment in early education, equivalent to the Marshall Plan of the 1940s or the mission to the moon in the 1960s." President-elect George Bush wants to expand Head Start to serve all eligible four-year-olds, and *New Republic* columnist Fred Barnes thinks the program should be part of a conservative anti-poverty strategy. Compensatory preschool education for poor children is clearly good politics, but is it good policy?

Unfortunately, there is little evidence to suggest that Project Head Start has made any long-term difference for the children it is supposed to help. In fact, the most comprehensive study ever undertaken on the effects of Head Start reported very disappointing findings. The "Head Start Evaluation, Synthesis, and Utilization Project," commissioned by the Department of Health and Human Services and released with little publicity in 1985, analyzed and synthesized over 210 reports of research on the effects of local Head Start programs. The study found that although "children show significant immediate gains as a result of Head Start participation . . . by the end of the second year [of elementary school] there are no educationally meaningful differences."

Unresponsive to Poor

Head Start was created during the summer of 1965 as part of Lyndon Johnson's War on Poverty. Administration of the program fell to the newly created Office of Economic Opportunity. Today, the Administration on Children, Youth, and Families (within the Department of Health and Human Services) oversees the program.

The guidelines for Head Start were developed by experts in pediatrics, public health, nursing, education, child psychiatry, and child development. Many leading educators had hoped that preschool programs for poor children would help break the cycle that linked family poverty to school failure and then to adult poverty. Additional support for the idea of Head Start came from others who believed that the educational establishment was unresponsive to the needs of poor children. One educator expressed his frustration this way: "Children unable to learn at the standard rate were seen simply as failures. The major remedy of choice was to require students to repeat grades until they learned the necessary skills." In providing federal funds directly to local community agencies, legislators hoped that Head Start would compensate for deficiencies in both children's home lives and the school system.

Yet, even before the program began, at least one study had raised questions about the long-term value of preschool compensatory education. A thorough evaluation in the early '60s of a compensatory education program for four-year-olds at a settlement house in Indianapolis produced little evidence to justify a federal effort. In evaluations of intelligence, general information, and verbal ability, researchers found no significant differences between a control group and a group of children in the preschool program. A year and a half later, upon their completion of first grade, the children from both groups were still indistinguishable.

Premature Accolades

Head Start began as an eight-week summer program to help disadvantaged youngsters catch up with their middle-class counterparts so that they could enter first grade on an equal footing. At the conclusion of the program's first summer, President Johnson declared the program "well tested" and a "success." His premature accolades, echoed by many in the educational community, were the first indications of the charmed life the program would enjoy.

Head Start now provides child development, medical, nutritional, health, and social services for low-income preschool children. Federal eligibility criteria dictate that 80 percent of enrolled children must be from families at or below the poverty line; almost 20 percent of all such eligible children currently attend the program. Every school day, more than 400,000 disadvantaged three- and four-

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year-olds gather in some 24,000 classrooms nationwide to take part in federally administered but locally run Head Start programs. Some Head Start programs also employ many of the children's mothers, as well as provide day-care for working and nonworking mothers.

A cottage industry has grown up around the nearly 1,300 programs nationwide. Head Start enjoys enthusiastic support at the local level, and very vocal support on Capitol Hill. That potent combination silenced even the Reagan administration when it approached the program with an eye to reform. Head Start has become a part of the administration's "safety net," and now the program operates with a budget of over $1 billion a year.

This broad-based support has obscured a growing body of evidence challenging the educational claims of Head Start's proponents and calling into question the rationale for this federal effort.

Short-Lived Gains

The 1985 Synthesis study mentioned earlier was conducted by CSR Incorporated of Washington, D.C., under the lead of Ruth Hubbell McKey, an expert on foster care and families. The Synthesis researchers concluded that the program produced immediate, positive effects on children's intelligence test scores but that these gains did not persist beyond the end of the second year of elementary school.

They found that at the end of the Head Start year program participants scored higher in self-esteem, achievement motivation, and social behavior than did comparison groups of non-Head Start children. However, these gains were short-lived: "On social behavior, former Head Start enrollees continue to score higher than non-Head Start children two years after Head Start, then drop to the level of comparison children by the end of the third year. On achievement motivation and self-esteem, Head Start children drop below non-Head Starters a year after Head Start, then score about the same as comparison children for the next two years."

The Synthesis study addressed all aspects of the comprehensive Head Start program, including its nutrition and health services components. One of the primary goals of the program has been the daily provision of a hot meal and a snack. Youngsters enrolled in Head Start receive meals and snacks providing up to 50 percent of the daily nutrients recommended for children of their age. The Synthesis and Utilization Project found that "children who attend a Head Start center tend to have higher protein, calorie, and essential nutrient intake than children who do not attend." Unfortunately, studies included in the Synthesis evaluation found that dietary patterns did not change in the home during a child's participation in Head Start. The Synthesis study further concluded that "the key to better home nutrition [for these children] may be the level of parent involvement."

Similarly, the Synthesis study showed that children in the program have a lower incidence of pediatric problems than have non-Head Start children. But, unless there is a commitment to carry on the health practices of Head Start in the home, the study concluded, there will be no long-term benefit for the children.

Perhaps the best thing Head Start does is provide nutrition and health services to enrolled children.

Long before the Synthesis study, research in the late '60s had raised doubts about Head Start's long-term effects. In 1968-69, the Westinghouse Learning Corporation and Ohio University studied 104 Head Start centers across the country in the first large-scale evaluation of the program. The Westinghouse report compared Head Start graduates in first, second, and third grades with similar students who had not attended Head Start. The Head Start children scored better than did the control children on learning readiness but no differences were found between the two groups' scores on either the Stanford Achievement Tests or language development tests. The Westinghouse researchers were unable to document any long-range intellectual gains for Head Start children.

Congressional Scrooges

This early "criticism"—suggesting that Head Start as then conceived was too little, too late—was apparently unacceptable. An editorial in *The New Republic* in 1969 typified the reaction. It would be a pity, argued the editors, "if congressional Scrooges were to use the study as an argument for junking the whole program." Proponents of Head Start were quick to point out that the Westinghouse study did not evaluate the health and nutritional aspects of the program, a significant omission.

Head Start, popular with its constituencies, continued to operate, but was treated with skepticism by many experts in the field of child development. The criticism continued to focus on the long-term effect of the Head Start experience on youngsters. In his 1976 book, *Early Childhood Education: An International Perspective,* Gilbert R. Austin, of the University of Maryland, stated that the gains of Head Start tended to disappear after a year or two. He concluded that unless there was a continuity between preschools and primary schools many of the gains that the children had enjoyed would be lost. "We have learned that it is not enough just to create a preschool," he said. Austin identified parental involvement as essential to the child's development and recommended that people concerned with the welfare, health, and education of young children work to supplement what parents are doing.

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Astounding Results

The most ambitious claims for preschool compensatory education came from a study of the Perry Preschool Project by the High/Scope Educational Research Foundation in Ypsilanti, Michigan. The president of the foundation, David P. Weikart, is a leading expert on early childhood education; other researchers involved in the study are experts in the areas of child development and data analysis. Their study is often cited to support the claim that compensatory preschool programs can have positive, long-lasting results in the lives of poor children, saving taxpayers millions of dollars.

George Bush wants to expand Head Start and *New Republic* columnist Fred Barnes thinks it should be part of a conservative anti-poverty strategy. But is it good policy?

The Perry Preschool Program was a longitudinal study of 123 black youths from poor families in a single school attendance area in Ypsilanti. Fifty-eight of the students attended a high-quality preschool program at ages three and four; the other 65 poor children made up a control group of students who did not attend preschool. The program was highly organized and much more intensive (and expensive) than the typical Head Start project. Teachers visited each child's home for two hours every week. The majority of children attended the half-day program for two years, and the staff-child ratio was one adult for every five or six children.

The results of the Perry study were released in 1984 when the 58 graduates of Perry Preschool were between the ages of 19 and 24. The study concluded that these young adults had half the rate of teen-age pregnancy, had a much lower rate of arrests and juvenile delinquency, and were half as likely to depend on welfare assistance as their non-preschool counterparts. These astounding results led to the foundation's claim that for every dollar spent on preschool education for disadvantaged children, six dollars are saved in the costs of future juvenile delinquency, welfare dependency, and illiteracy. As recently as last spring the *Boston Globe* ran an editorial that cited the Perry Preschool study and proclaimed that these savings could surely be accrued as a result of a quality preschool/day-care program such as Head Start.

The Perry Preschool Project results elicited cheers and calls for further federal expansion of Head Start and other compensatory preschool programs on the state and local levels. Federal funding has increased and the nation's governors have devoted more and more state resources to these kinds of preschool programs. Today, more than half of the states have implemented pre-kindergarten programs, with 60 percent of all such programs directed toward disadvantaged children.

For a number of reasons, however, the results of the Perry Preschool study should be treated with skepticism. At least one prominent social scientist has expressed caution about the definitiveness of the Perry Preschool results until the study has been vigorously evaluated. Martin Woodhead, of Open University in Great Britain, wrote in the June 1988 *American Psychologist,* "The fact that the academic community has paid relatively little critical attention to this research may, in part, stem from an understandable reluctance to appear to be challenging the scientific base for politically precarious social and educational programs that achieve a great deal for children and families in poverty. However, the consequence is that tacit endorsement is given to conclusions about the power of early intervention that emerge from simplistic interpretation of the message in the data."

Hundreds of studies over the years have evaluated Head Start's effects on the lives of thousands of poor children. None has discovered long-term gains for children comparable to the results reported for the 58 children who attended Perry Preschool. In a commentary published in conjunction with the Perry Preschool study, Edward M. Gramlich, chairman of the Department of Economics at the University of Michigan stated: "A last matter involves the faith we should place in the numbers summarized in the table. My own guess is, not an inordinate amount. There are, after all, only 58 treatment students and 65 control students."

Finally, it must be remembered that Head Start represents 1,300 diverse, locally run programs that most children attend for a single year. The Perry Preschool was not Head Start.

Harmful Pigeonholes

Nevertheless, if the results of the Perry Preschool study are reliable, we think two factors that have not received enough attention are involved. The first is an improvement in the placement of youngsters when they enter elementary school. Compared with the control group, fewer of the youngsters who attended Perry Preschool were sent to classes for the "mentally retarded." Presumably, a child is either mentally retarded or not. The fact that two years of preschool reduced the likelihood of being assigned to classes for the retarded suggests that this loaded labeling may sometimes be used too hastily.

There is no question that children in compensatory preschool programs have benefited by escaping such labeling. As former Secretary of Education William Bennett has frequently emphasized, the best schools have high expectations for all their students. Poor children, whether or not they were enrolled in Head Start, could avoid attendant lower expectations and subsequent academic failure if more schools would heed Bennett's advice and reject negative pigeonholes for their pupils.

The second success factor at Perry Preschool was the active involvement of parents, who were visited at home each week over the course of two years. Studies of compensatory preschool education make a consistent point—increased parental involvement could well be the key to long-term gains for poor youngsters. This is clearly the area

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that must be addressed and emphasized if Head Start is to result in long-term gains for disadvantaged children.

Opportunities for Improvement

Year after year, Democrats and Republicans alike tout Head Start as a program that works and one that should be greatly expanded. There is absolutely no disagreement on the need to assist poor youngsters. Furthermore, taxpayers are certainly willing to finance a program that truly breaks the cycle of poverty. But we cannot afford to pretend that Head Start breaks this cycle; nor can we honestly claim that any single government program can. The great weight of evidence provides no basis to the idea that enrolling one million more children into the program as currently structured will improve their educational prospects.

Perhaps the best thing Head Start does is provide nutrition and health services to enrolled children. These are certainly necessary services and we can only recommend that they be maintained at Head Start centers and enhanced in students' homes.

But greater attention must be focused on Head Start's ability to help poor youngsters avoid placement in special education classes where they do not belong. Some youngsters clearly need specialized instruction, but often disadvantaged youngsters are too quickly placed in classes that stigmatize and discourage them.

It is also clear that Head Start would be more effective with greater parental involvement. While the Head Start Performance Standards require that programs provide the opportunity for participation by parents in program planning and decisionmaking, studies have found that parental involvement is uneven. A small percentage of parents contribute a disproportionate percentage of time to the program. For example, the National Parent Involvement Study found that "in the average center, for every 11 children, less than one parent volunteers regularly as a classroom aide one day a week." The noted child-development expert Urie Bronfenbrenner has said that what is important for a system like Head Start is "neither the child nor the parent, but the parent-child system." The Synthesis study reports that "children of parents who are highly involved in Head Start perform better on cognitive tests at year-end than children whose parents were less involved."

Policymakers should recognize the program's inability to foster permanent change in the absence of parental participation. Parental involvement in the program should be mandated as a condition of a child's attendance. Parents should be expected to volunteer for a minimum number of hours a week. At the outset of their involvement with the program, the Head Start center should be saying to parents, "We are here to help your child, but we can't do it alone—your child needs you." Because children whose parents actively participate benefit most from the program, instituting such a requirement would mean that the program would serve those children who could be expected to enjoy the greatest gains.

Head Start would be more effective with greater parental involvement.

A good education is clearly one of the primary means of escaping poverty, but we cannot expect a program for four-year-olds to compensate for all the deficiencies in today's public school system. Parents must become advocates for their children at an early age and must tell schools from the beginning that they fully expect their children to succeed. Early activism can carry over when children begin formal schooling.

It should also be recognized that a program such as Head Start is merely treating the symptoms of childhood poverty. Census Bureau data make clear that the greatest cause of children in poverty is single female-headed households. Unless we want to ensure an endless supply of children who meet the program's poverty criteria, policies must be adopted at the federal and state levels to strengthen existing families and to encourage family formation.

Head Start has clearly enriched the lives of many poor children, but it is time to recognize its limitations. Those who make exaggerated claims about the efficacy of early-education programs for poor children do a great disservice to the children they are trying to help.

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2001: A Supply-Side Odyssey

The Next American Century

Jude Wanniski

A decade ago conditions began to ripen for a global resurgence of democratic capitalism built around classical economic theory. Now there is little but inertia standing in the way of an extension of these momentous forces. We may already be in the foothills of a Golden Age, perhaps the dawning of a new American century, a *Pax Americana* to rival the *Pax Britannica* of the 19th century.

Conventional wisdom takes the opposite view: that the United States is on the threshold of decline as a great power, that we are near the end of a brief American Era that began in 1945, already exhausted by the burdens of global leadership. Every society in every age needs its Cassandras. Warnings are useful whether heeded or not. At the moment, the doomsayers have fixed on the thesis of Paul Kennedy's much-acclaimed book, *The Rise and Fall of the Great Powers,* which asserts that the great powers of history foundered as they overextended themselves militarily.

Kennedy argues that if a nation spends too much of its productive income on an unproductive military apparatus, its vitality will be sapped. He warns that the United States is on this path, and unless it cuts back on its military apparatus forthwith, it will soon be a former great power.

This was one of the strands of thinking in the Democratic quest for the presidency last year. But why is it not more appropriately applied to the Soviet Union, which spends a far higher percentage of its meager productive assets on the military? Kennedy's emphasis may simply be misplaced. Great powers decline not because they are spending too much to protect their wealth, but rather because they have forgotten how to create wealth. The United States spends 6 percent of its annual income on national defense, the Soviet Union 25 percent. South Korea spends 6 percent of its income on national defense, North Korea 25 percent. At the height of the British Empire, roughly 1850 to 1914, the United Kingdom spent a very small portion of national income on its military apparatus. Tiny contingents of the British army "occupied" the vast Indian subcontinent, which submitted to the relatively benevolent colonial rule as long as the commercial and political benefits outweighed the deficiencies of undemocratic rule. Britain's awesome growth in wealth had come to dwarf the costs of its military.

Britain's decline came steadily and inexorably after World War I as it left in place the debilitating war taxes enacted in 1914. Meanwhile, the United States, under Presidents Harding and Coolidge, slashed tax rates. Margaret Thatcher is the first British prime minister to do serious damage to the "supertax" rates that lingered from 1917 into the 1980s, and the U.K. is finally on the move.

Still, the thesis is correct that the United States could increase its chances of remaining a great power by reducing the percentage of income spent on military expenditures. Indeed, this is happening now and will continue through the expansion of U.S. income and wealth—not by an absolute reduction of defense spending. In the 1990s, military spending should continue to decline as a share of the gross national product as U.S. economic ascendancy continues. Indeed, even the notoriously pessimistic Congressional Budget Office now projects defense spending will fall from 6.1 percent of GNP to 5.2 percent by 1994.

Strength Through Foreign Prosperity

Ascendancy does not mean the United States will increase its share of global GNP. It should not even aspire to do so, for this would suggest an alarming decline abroad. A nation's greatness is not measured by how far it can lift itself above the poverty of its neighbors. The gap between rich and poor is always of real concern because of the political tensions it invites. It would be much healthier for the U.S. share of global production to decline steadily throughout the rest of the century, as will very likely be the case. The rest of the world will simply grow faster than the United States through the spread of classical, supply-side economic reforms and accompanying democratic institutions. When U.S. GNP doubles to $10 trillion by the end of the century, the rest of the world's GNP (ROW) should more than double, to perhaps $50 trillion.

A great part of the advance in the ROW should come in the Eastern bloc, which can show greater percentage gains in production because it has for so long been held back from potential by experiments in command economies. It

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will not be long before the Soviet Union is in economic ascendance, should it embark on the classical reforms it has been talking about. China, of course, arrested its decline a decade ago with the culmination of the Cultural Revolution, the defeat of the Gang of Four, and the ascendance of the "capitalist roaders" led by Deng Xiaoping. A good idea cannot be resisted for long. Socialism is optimum only when alternative forms of political economy break down, as happened with monarchical capitalism in 1914, and with democratic capitalism in 1929 (Smoot-Hawley) and again in 1971 (the breakdown of the Bretton Woods international monetary system). Socialism is a spent force, its elites clinging to power as they try to inch their way to the new milieu. The United States' power and prestige climbs through the magnetism of its growth ideas as well as the political institutions in which they flourish. A central task for President Bush will be to assist the forces of growth in Moscow and Beijing along the road of democratic capitalism.

The idea that "Reaganism is over, used up" is far from accurate. If we think of the world political economy as a lake, imagine that President Reagan has dropped a huge boulder into that lake. The boulder may almost be out of sight, with Reagan's years at the White House waning. But the waves he has made will run well into the next century. He has not only made Keynes and New Deal social democracy obsolete for the moment by reviving the critical elements of democratic capitalism, but also has succeeded in inviting the Soviet Union and entire Eastern bloc to the party. A decade ago it was barely possible even to imagine a peaceful transformation in the Soviet Union to a system of democratic capitalism. It is now easy to contemplate such a scenario.

American conservatives tend to dismiss Gorbachev's reforms, perestroika and glasnost, as parallels to Lenin's reform movement of the 1920s, the New Economic Policy (NEP). What these critics do not readily acknowledge is that the NEP's incentive elements had scarcely taken root when the United States crippled the world economy with the 1929-30 protectionist trade legislation. The implosion of global commerce spawned intense redistributionist political impulses everywhere. Republican *laissez-faire* gave way to the New Deal in the United States, the Weimar Republic gave way to National Socialism in Germany, and the NEP gave way to Stalinism in the Soviet Union. Such was the result of the boulder Herbert Hoover dropped into the global lake.

The Protectionist Impulse

Protectionism, seen in this light, is truly a dangerous "ism." The idea of seeking the protection of the state against foreign (or domestic) competition is as old as civilization. It's the dark side of humanity, a vestige of pre-civilization when the laws of natural selection governed. It's a universal impulse, one that we observe in siblings who appeal to their parents for favored treatment over their brothers or sisters. Children appeal to the authority figures in school and playground for a favored edge over their competitors. In these zero-sum contests, we admire those parents, teachers, and governments who act wisely in refusing rewards to some at the expense of others. It's axiomatic that when the strongest members of a society can gain protection from the state at the expense of the others, it is the weakest who pay the price. The net effect is a subtraction from civilization, a throwback to natural selection and the law of the jungle.

The broad capitalistic impulses making their way through China, the Soviet Union, and Eastern Europe are dependent upon continued economic expansion in the West. Deng Xiaoping and Mikhail Gorbachev have as much to fear from the protectionist forces in the United States as do our trading partners. Enactment of the protectionist trade bill last fall cast a long shadow over the world economy because it invites trading conflict that would slow growth and bring recession. It will be up to President Bush to contain this threat by wise use of the mechanisms created by the new trade legislation. If the United States leads the world into a deep recession, the political forces here and elsewhere will retreat from democratic capitalism in favor of authoritarian redistributionist economies. A "planned economy" by its very nature is undemocratic, with a power elite deciding who gets protected and who does not.

Great powers decline not because they are spending too much to protect their wealth, but rather because they have forgotten how to create wealth.

The War of the Fortresses

Trade protectionism seems the most likely trigger to a recession. The drift of the world trading system continues inexorably toward major trade and currency blocs: an American dollar bloc, including Canada and Latin America; a European ecu bloc that will eventually take in the USSR; and a yen bloc that dominates the Asian Pacific and takes in China. There's nothing wrong with this development. Civilization will eventually find itself with a common global currency, a single free-trade zone, and open migration.

The most important evolution of the 1990s is the development of the European bloc. It will take substantial political leadership inside and outside Europe to prevent retaliatory trade wars creating three fortresses at odds with each other: Fortress Europe, Fortress America, and Fortress Asia. The Reagan administration waved the new trade legislation at Europe, warning against caving in to protectionist forces or we will retaliate. The European response has been to accuse Washington of making the first suspicious moves; they see our protectionist trade bill as an implicit threat. Trade wars don't start suddenly, any more than shooting wars do. First is a chip on the shoulder, then retaliation, then escalation.

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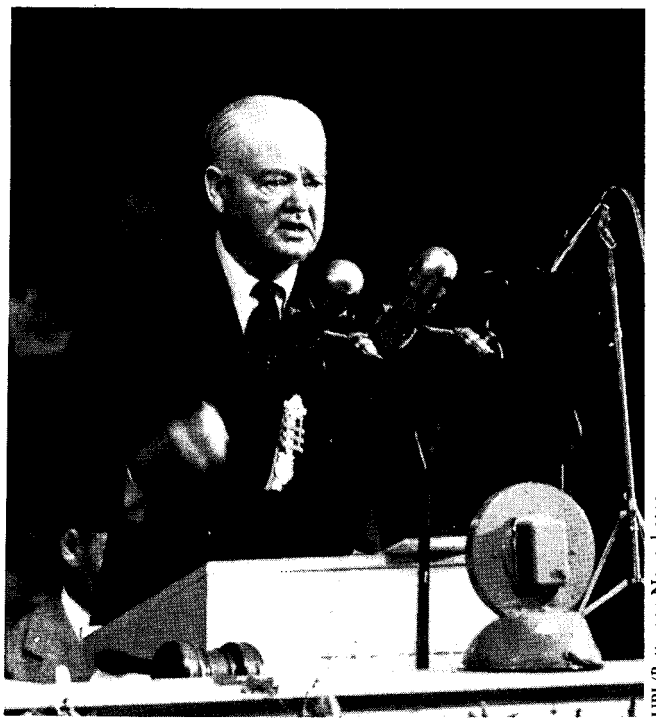

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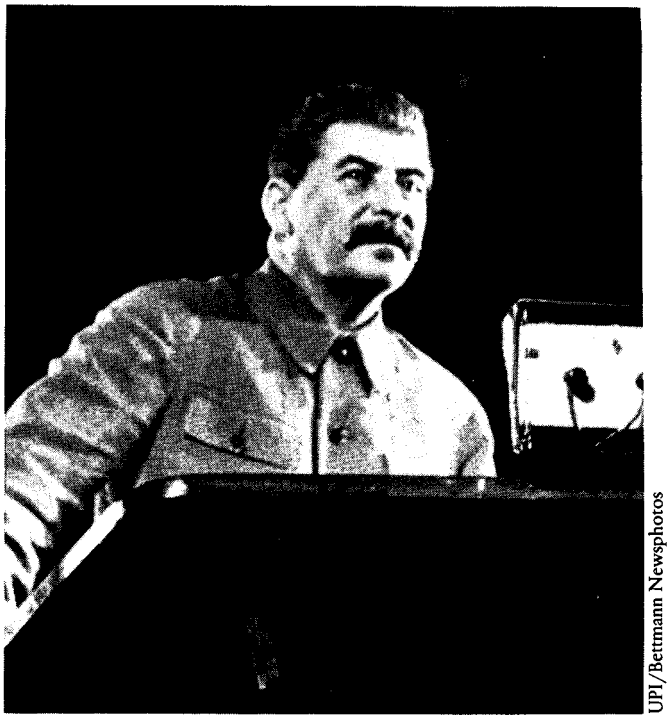

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Herbert Hoover's protectionism crippled the world economy and set the stage for Stalinism.

In an epoch of global manufacturing and international banking, opportunity for trade tension will be plentiful. It is worth reviewing the parallels with the 1930s, though, since so much has been made of the contrasts with the Smoot-Hawley era. The great difference is in political attitudes, the United States now being a much more mature world power. In the 1928 election between Herbert Hoover and Al Smith, for example, we recall that the GOP boasted of being more protectionist than the Democratic Party and the Smith campaign acted defensively on the issue. It wasn't until 1932 that the fledgling internationalist wing of the Democratic Party began developing a free-trade position based on reciprocity. It wasn't until 1940 that an internationalist wing took hold in the Republican Party, with the nomination of Wendell "One World" Willkie for president.

In the current era, protectionism is a dirty word. The trade wars of the 1930s left such profound scars on world history that we now have a worldwide array of mechanisms that blunt protectionist impulses. The most important is probably the annual economic summit of the seven leading western heads of state. Other safeguards include the G-7 meetings of finance ministers; the regular monthly gatherings of the leading central bankers; the GATT bureaucracy in Geneva; the OECD, IMF, and World Bank bureaucracies; and the United Nations itself. None of these channels of communication, which serve to mediate, arbitrate, and conciliate trade disputes, existed in the 1930s.

Modern-day protectionists shun the label, preferring to call themselves "fair traders." Instead of the straightforward 1930s plea for tariff walls, the modern mercantilists ask for a "level playing field." This includes relief from foreign competition that allegedly engages in predatory pricing or dumping, practices known in the domestic market as discounting and fire sales. It also includes a cheaper currency at home or a stronger currency in the home of the foreign competitor, on the spurious grounds that the result will be more exports and fewer imports—even though recent experience has gone the other way. Since 1971, the two bogeymen of world trade, Japan and Germany, have been hectored repeatedly by Washington to strengthen their currencies to permit trade flows to adjust in this fashion. Yet, Japan's trade surplus has widened steadily as its currency has strengthened, from 360 yen to the dollar to 120 yen; West Germany's trade surplus has soared as the deutsche mark climbed from 25 cents to 55 cents.

Jim Baker's Monetary Reform

When New York's Governor Cuomo and New Jersey's Senator Bradley each chose not to run for president 18 months ago, one notion that made the rounds in Democratic circles was that in the long run it might be better if the Republicans won the presidency in 1988, because a deep recession is inevitable within the next few years. The Democrats would then be ready in '92 to pick up the pieces, as did FDR in 1932, and regain dominance for another 20 or 30 years. This gloomy appraisal of the state of the union reflects the bankruptcy of the old liberal agenda. The new liberal agenda is still developing, still uncertain and tentative as the younger growth forces struggle with the Old Guard. We see self-styled "supply-side Democrats" clashing with party elders, Midwestern "fresh-water" economists contesting with Eastern "salt-water" (austerity) economists. The Reagan years have shattered the self-confidence of the movement liberals in America and while a new dialectic is underway, the synthesis has not yet been reached. Governor Dukakis was the crucible for these competing factions, which is why his own agenda and the Democratic platform were so muddy. But George

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Bush will have to keep the Reagan legacy rolling, or by 1992 there will be a new Democratic Party waiting to take over.

The key economic positions in the Bush administration will be international posts: U.S. Trade Representative, chairman of the International Trade Commission, Undersecretary of State for Economic Policy, director of the Agency for International Development, Assistant Secretary of Treasury for International Affairs, U.S. representative at the IMF, U.N. Ambassador. In 1981, at the outset of the Reagan years, these posts were filled willy-nilly. Except for the U.N. posts, they amounted to back-burner positions, getting low priority and low energy. In the 1990s, even the nominations to the ITC will be as closely watched as we now watch Federal Reserve appointments.

These positions will be critical to moving the entrenched bureaucracies in directions that are likely to keep world trade open, minimizing the inevitable frictions that accompany growth. They're important to the thrust of the economic summits, which will play larger roles in the 1990s as integration requires more coordination and more attention from world leaders. They're crucial to moving the West along the path of international monetary reform that James Baker began at Treasury and will undoubtedly pursue at State. The team will have to refine the Baker Plan for the Third World to actually get developing countries developing again, instead of consumed by debt payments. They'll have to develop imaginative ways to pull South America into the flow of the emerging trading blocs and encourage integration of markets in Central America and sub-Saharan Africa. They'll have to grapple with the fears and suspicions of the Asians toward the United States and Europe, and of Europe toward Asia and the U.S., all the while trying to manage a more sensible allocation of expenses in the maintenance of international security.

How Not to Help Gorbachev

The most important assignment of all will be to assist Mikhail Gorbachev in his bold but awkward attempts to reform the Soviet economy. As the 1980s close, the Soviet Union is finally struggling to break through the crusts of ideological dogma that have held it back. The Gorbachev reforms are squarely aimed at increasing the free expression of the individual, verbally and economically. The obstacles he faces are colossal, not only within the Kremlin bureaucracy, but throughout the Communist Parties of Eastern Europe. Everywhere in the empire, those whose vested interests are tied to the power of the state are going to resist transfers of power to the individual. We can be sure this Darth Vader side of the empire will strike back whenever it can.

As long as the Eastern bloc economy can expand, the dark forces can be held at bay. In China, Deng Xiaoping has demonstrated it is possible to maneuver through these political minefields. If the West is to assist Gorbachev in his endeavor, the last thing it should be doing is offering the Soviet state loans and credits! It should advise the Soviet state on how to get loans and credits to its own citizens, permitting at least curbstone trading and cooperative banks, farms, and enterprises. Both the Soviet Union and China have to liberalize finance to have any hope of catching up and keeping up with the West. This means bond markets and stock markets, developed around a convertible ruble and yuan. The Soviet Union and China have all the capital they need within their borders—capital that is now suppressed by laws prohibiting its formation.

A serious worry at this early stage of economic development in the socialist bloc is the influence of the international financial institutions, especially the IMF. The neo-Keynesians who still dominate the IMF, after several decades of playing the bull in the china shop, have already been successful in getting the ears of policymakers in Beijing—urging their poisonous brew of "tight fiscal policy and easy money" on the regime. It's only natural that the socialist nations, if they are to grow along the capitalist road, will have huge trade deficits that match the private capital inflows seeking investment opportunities there. It was just such a trade deficit that led the IMF to counsel

The rest of the world will simply grow faster than the U.S. through the spread of classical supply-side economic reforms and accompanying democratic institutions. This is a measure of American strength, not decline.

Beijing to devalue its currency in the last two years, to discourage imports and promote exports. The devaluation of course has produced a troubling inflation in China, leading the government back toward price freezes. A steady dose of these neo-Keynesian ideas from the West's collection of Nobel Prize winners would undermine the free-market reforms in the USSR and People's Republic of China just as surely as they have ravaged the Third World.

It would be a mistake for U.S. and other Western banks to step into the vacuum and shovel loans into Moscow, perpetuating the misallocation errors of the Soviet system and delaying the correct reforms. Nor should the United States give the Soviets most-favored-nation treatment on trade policy until the Soviet Union permits its individual citizens to trade with the U.S. Granting the state a privilege that the state denies its own citizens perpetuates the system Gorbachev is trying to reform. Gorbachev should privately welcome these and any other conditions that would strengthen his hand with the Politburo and the stubborn Soviet bureaucracy. Unilateral gifts and concessions by the United States, including premature defense cuts, only weaken Gorbachev's position. There's plenty of time for the West to cash in on defense outlays once the Soviets are reeled in, not merely hooked.

Before the end of the century the Soviet Union could be well on the way to becoming a modern industrial and

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financial power. That is the ultimate objective, isn't it? There's no inherent reason in a civilized world why nations and cultures must be at swords' points. Plowshares can be competitive, too, as we've learned dramatically from Japan. President Reagan was the first to see that the Evil Empire was suspended when glasnost was permitted in the Soviet Union. The freedom of opinion and debate that allowed him to speak openly and critically at Moscow State University, under Lenin's nose, is in a way a tribute to Gorbachev. Evil in Reagan's mind seems clearly associated with darkness, as it should be. An empire held together by the force of light is one to be admired.

If the West is to assist Gorbachev, the last thing it should do is offer the Soviet state loans and credits. The USSR has all the capital it needs within its borders, capital that is now suppressed by laws prohibiting its formation.

Supply-Side Momentum

I had originally thought that the United States would take the lead in encouraging supply-side reforms in Africa and the Asian Third World. It now strikes me as unreasonable to have thought that U.S. benevolence would extend that far. An integrated common market of British East Africa or of French West Africa would naturally have its greatest links to the European bloc. Enlightened moves in that direction will more likely come from the European bloc itself. Asian reforms would contribute most to the yen bloc. It still falls to the United States to invite further integration of the North American bloc through reforms in Mexico and Central America. The greatest failure of the Reagan administration has been its wretched record of aiding the forces of austerity in impoverishing our neighbors to the south. Tax and monetary reforms throughout the region are essential to growth. Coupled with a Central American common market, these reforms would finally pacify the region's Marxists and eventually force reforms on an isolated Cuba.

This is very difficult to accomplish, however. There is simply a natural reluctance of the developed world to genuinely help the undeveloped world grow, a reluctance rooted in the mercantilist, protectionist dark side of human nature. What might help is a sense of growing competition for size and wealth within the individual trading blocs. A rapidly expanding Mexico and South America would mean more competition for our mercantilists, but it would also give our trading bloc a greater mass. As U.S. employment reaches saturation levels, further profit opportunities can only be captured through labor arbitrage, exporting low value-added production to our unemployed or underemployed neighbors. The process would be greatly facilitated through supply-side reforms that permit this kind of growth instead of smothering it. Global manufacturing and banking are also in search of economies of scale, markets big enough and secure enough to carry the costs of rapidly turning investment. Perhaps these kinds of developments will finally overwhelm the narrower vested interests and trigger the Third World reforms that have been needed for more than 30 years and obviously needed for the past 10.

The other pressures that also work in this direction are the needs of the human species itself. When I wrote in 1977 about the need for growth reforms in the Third World, I had no idea there would be a global AIDS epidemic, or a plague of drugs in the developed world, or a possible greenhouse effect. Yet each of these problems has at least some of its roots in the poverty of the Third World. AIDS has been traced back to the grinding poverty and miserable hygiene of sub-Saharan Africa. The source of drugs is in every case a debt-strapped Third World nation too weak to prevent the traffic, its officials too easily corrupted or overwhelmed by the drug trade. I'm still extremely skeptical about the greenhouse hypothesis, but if it is real, a significant contributor is deforestation in the Third World, which reduces the planet's ability to absorb carbon dioxide—whether it's denuding China of forests during the Cultural Revolution, stripping impoverished Haiti of its foliage, or the burning of the Amazon rain forests by poor Brazilians clearing land for farming. This latter development by itself is currently producing 10 percent of the planet's carbon dioxide. The richer nations should therefore have noneconomic as well as economic incentives to promote growth reforms in the Third World.

My optimism about the end of the century is founded on a real sense of the dramatic progress that's been made in the last decade. There are more people who have a stake in the success of the global supply-side revolution, who believe in it and are working for it. There are fewer who have a stake in its failure, whose own ideas failed when tried and who predicted ours would fare even worse. The supply-side idea has a momentum of its own that will outlast the Reagan presidency. It will carry us at least into the next century, and maybe even a little longer. ☎

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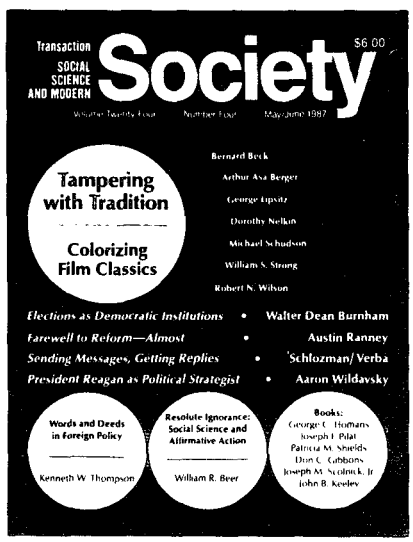

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A Billion Points of Light

Reassessing Policy Toward China

Roger A. Brooks and Andrew B. Brick

Few of America's relationships with other countries have exhibited the fragility, confusion, and contradiction of the U.S.-Chinese relationship. Since the beginning of this century, U.S. policy toward China has shifted significantly with each administration, from Theodore Roosevelt's indifference, to Woodrow Wilson's sacrifice of Chinese sovereignty at Versailles, to Franklin Roosevelt's vision of a unified, independent China. For over two decades after the Communists won control of the mainland in 1949, the United States sought to contain and isolate the People's Republic of China (PRC). More recently, and more sensibly, the two nations have tried to define a common ground for what should be one of the world's most important bilateral relationships. Considerable progress has been made toward this, despite continued divergent, and at times contentious, U.S.-PRC interests.

China remains important to the U.S. for several reasons. A China with constructive ties to the U.S. has proved, in general, to be a force for stability in Asia and in the world. Today, the PRC has the world's ninth-largest economy, is the world's third-largest producer of energy and fourth-largest producer of steel, and possesses the third-largest nuclear force. With a population of over one billion, the PRC represents the globe's largest potential market for U.S. products—although the two-centuries-old American dream of turning China into a mass consumer of American goods has remained unfulfilled. Competing with the Soviet Union, England, France, and the U.S. as one of the world's largest arms exporters, the PRC also is a nation increasingly capable of influencing events in Asia and elsewhere.

China apparently views the U.S. as equally important. As before 1949, the PRC now has extensive scientific, technical, and cultural links with the U.S. Access to American technology, skilled manpower, and capital has helped foster China's economic growth and fuel its economic reform efforts—efforts that preceded by nearly a decade the Soviet Union's much-publicized and still-fledgling perestroika. China sends 22,000 students to U.S. universities annually. Most important, Beijing relies upon the U.S. to balance the Soviet threat in Asia.

To build upon the current healthy U.S.-PRC relationship, the new president must avoid the fluctuating relationship with China that characterized much of the past century. An essential premise of consistent U.S. ties with China is that it is not in the U.S. interest for Beijing to be either allied with or actively hostile toward Moscow. Relations between Washington and Beijing should not be regarded as a zero-sum game. The U.S. does not necessarily gain if Chinese-Soviet relations cool, nor does the U.S necessarily lose if those relations improve. While Washington need not encourage Beijing to improve its relations with Moscow, Washington need not fear modest improvement.

Still, President Bush unambiguously must advise Beijing that a PRC-Soviet alliance would alarm the U.S. and force the administration to reappraise the full range of its dealings with China. Although there is little likelihood that this will occur, the importance of the issue should nevertheless be made clear to the Chinese. The mounting Soviet military might in the Pacific and around Asia must worry China as much as it does other Asian nations and the United States. While the new president should expect China to act independently in its foreign policy initiatives, he still should expect Beijing to maintain closer ties to Washington than to Moscow.

The U.S., in cooperation with the PRC and other regional powers friendly to Beijing, should pursue policies aimed at reducing the Soviet threat in Asia. The new president, within months of his inauguration, must make clear to the Chinese that the U.S. military bases in Japan, the Philippines, and South Korea check the Soviets and thus serve PRC interests. Therefore, President Bush should ask Beijing for subtle and appropriate help, particularly in assuring continued use of the Philippine bases by U.S. forces. The Bush administration should consult with the PRC in devising a strategy to counter Soviet aggression within and outside Asia.

Beijing should understand, as does Washington, that Soviet expansion anywhere in the world ultimately threat-

Roger A. Brooks, *a former State Department official, is director of the Asian Studies Center at The Heritage Foundation.* Andrew B. Brick *is policy analyst specializing in Chinese studies at the Asian Studies Center.* *This article is excerpted from The Heritage Foundation's* Mandate for Leadership III.

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Illustration by Alexander Hunter for *Policy Review*

Washington need not fear modest improvement in Soviet-Chinese relations. It is not in the U.S. interest for Beijing to be either allied with or actively hostile to Moscow.

ens both the PRC and the U.S. Thus, the U.S. should seek Chinese cooperation and support in countering Soviet expansionism in Central America. Just as the U.S. has been helping to counter Soviet expansionism in Southeast Asia on China's threshold, Beijing should help keep the Soviets away from U.S. borders. At the United Nations and other international organizations, Beijing could vote to censure aggression by the Soviets and their clients in the Third World. Beijing could also provide token aid to El Salvador, the Nicaraguan Democratic Resistance (the Contras), and others fighting to halt Soviet expansionism.

No Formal Alliance with PRC

President Bush must carefully explain to the PRC the strong U.S. commitment to a forward military defense in the Asian region. He should ask Beijing to establish a reciprocal relationship with the U.S. in military intelligence and training. He should request that his Secretary of Defense visit the PRC and that the U.S. Navy increase its calls at China's ports. The next administration, however, should not establish a formal military alliance with the PRC. This would be viewed as provocative by both the Soviet Union and U.S. friends and allies in Asia.

The new president must be sensitive to America's Asian allies on regional security issues. He should advise the Chinese that tacit or explicit support for certain insurgent groups—such as the Communist Party of Malaysia—complicates U.S. diplomacy. The security and economic concerns of Japan, South Korea, the nations of ANZUS and ASEAN, and the Republic of China on Taiwan are vital to U.S. interests and must be taken into account by the Chinese leadership. Moreover, immediately upon taking office, the new president should reaffirm unequivocally that the U.S. will accept only a peaceful resolution of the Taiwan issue. He should explore with the PRC effective ways to reduce tensions on the Korean peninsula. The U.S. should consult with the PRC on regional refugee affairs and attempt to enlist Chinese support in the United Nations on this and other issues where U.S.-China interests converge.

Human-Rights Challenges

The U.S. should expand educational and cultural contacts with China through the U.S. Information Agency and the Department of Education by funding programs to sponsor junior and senior American scholars in the sciences, social sciences, and humanities to travel to China and conduct research. In turn, the new administration should encourage the Chinese to increase their student enrollment in the U.S.

At the same time, the new president must not hesitate to criticize China for its systematic human-rights abuses in Tibet and for human-rights infractions elsewhere in China. The new president should insist that Beijing keep its word

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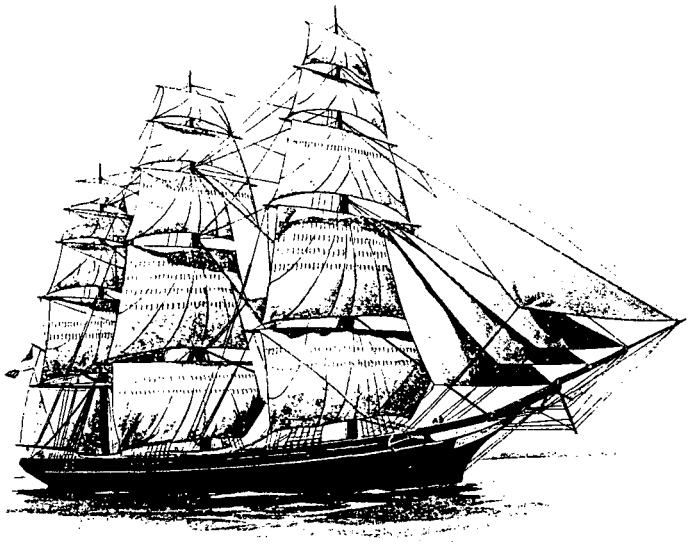

From clipper ships to micro chips: For 200 years Americans have dreamed of turning China into a mass consumer of U.S. goods.

to safeguard democratic rights and freedoms in Hong Kong as that British colony rejoins China. President Bush should state publicly that Beijing's treatment of Hong Kong will be weighed in the balance of U.S.-PRC relations.

The Bush administration's principal challenge in formulating China policy is in economic, scientific, and cultural relations. Washington should encourage U.S. private investment in the PRC by sponsoring trade and investment fairs and conferences and arranging for potential American investors to visit China. The best spur to such investment would be effective PRC laws to safeguard U.S. interests and investments in the PRC. The new president should urge improved access for U.S. products to the Chinese domestic market. He should try to convince the Chinese that their confusing licensing, registration, and foreign exchange regulations, tariffs, and taxes discourage American firms from doing business in China. And, in cooperation with the West Europeans and Japanese, the U.S. should urge China's financial institutions to clarify their procedures in order to make their services more accessible to U.S. businesses.

Continued Support for Taipei

Furthermore, the next president should advise Beijing that the U.S. strongly supports Taipei's membership in international economic organizations. He should assure Beijing that the U.S. will support PRC membership in these organizations when the PRC has made more progress toward establishing a market economy.

Since the PRC has no internationally accepted patent law, the next administration must urge the Chinese to take action to protect intellectual property rights. The lack of legal protection for U.S. technology may be one of the most enduring problems between the two countries.

Without question, it is the lure of high technology that prompts Chinese business interest in the U.S. The problem is that the Chinese could use the U.S. technology to design weapons for U.S. adversaries in the Middle East and elsewhere. President Bush should commission a study to quantify and identify the strategic impact of U.S. technology transfers to the PRC. In addition, the Departments of Commerce, Defense, and State must better coordinate their efforts to determine which U.S. goods and technology can be transferred to the PRC. This list must be based on realistic criteria and not aimed at halting all U.S. technology transfers to the PRC. Technology associated with electronic warfare, nuclear weapons, and delivery systems, of course should be withheld. Yet, it makes little sense to prohibit the export of technologies that the Chinese easily can obtain elsewhere, such as low-level computer software and industrial technology. Strangling a possible transaction with bureaucratic red tape could prompt the Chinese to turn elsewhere for products.

Linked to the issue of technology transfer are PRC requests to purchase U.S. military technology and hardware. The new president should approve the sale of a limited amount of defensive weapons to the PRC; these may include communications and transportation equipment, and perhaps antitank and antiaircraft systems. It is essential, though, that any U.S.-PRC military relationship not undermine U.S. commitments to its allies in the region, particularly the delicate balance in the Taiwan Strait.

Because perceptions of an accelerating U.S. defense relationship with China could send confusing political and diplomatic messages to U.S. friends and adversaries, the new administration must develop, along with America's friends and allies, guidelines for the forms and methods of military cooperation with China. Until such guidelines are determined, the focus of the U.S.-PRC military relationship should be less on arms sales than on cooperative efforts between the two nations' military establishments. These efforts should include limited intelligence sharing, port calls, and a joint naval exercise in the South China Sea.

President Bush should state publicly that Beijing's treatment of Hong Kong will be weighed in the balance of U.S.-PRC relations.

President Bush should recognize the potential for mutual misunderstanding in the U.S.-China relationship. To prevent this, he should maintain, where possible, the multitiered and segmented structure that has helped manage the increasingly complex U.S. policy toward China. This includes the president and his principal foreign policy advisers, China specialists in the White House, Departments of State and Defense, CIA, Asia specialists in the Congress, private foundations, academia, and the press. President Bush and his chief advisers not only must devise a coherent and sustainable policy toward China, but they must meet regularly to update policy. The administration must also systematically communicate this policy to interested U.S. communities. ☎

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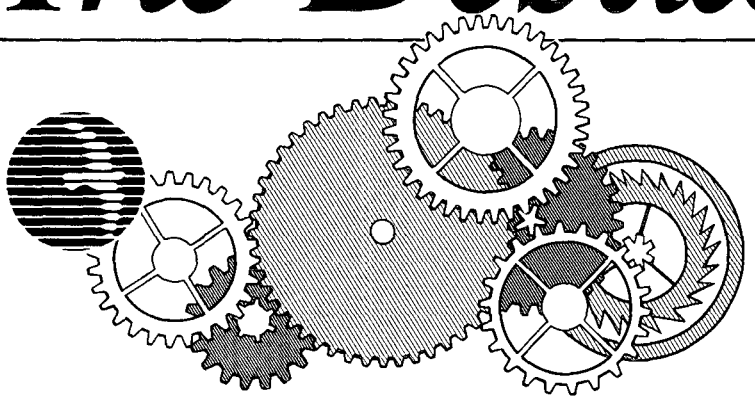
Ideas That Drive The Debate



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LUMBERING ELEPHANT

Missed Opportunities in the GOP Senate

JOHN J. PITNEY JR.

Republican candidates for the Senate were much more successful in the Reagan election of 1980 than in the Bush election of 1988. Taking everyone by surprise, including its own leadership, the GOP picked up 12 seats in 1980, and won the Senate for the first time since 1952. The shift in parties was accompanied by a sharp ideological change. George McGovern, Birch Bayh, Frank Church, and other leading liberals would be packing their bags. Although Ted Kennedy would be staying, he would have to turn over his Judiciary Committee gavel to . . . Strom Thurmond!

Republicans held the Senate for six years, and from a conservative perspective they accomplished a great deal. In 1981, they acted quickly on President Reagan's economic program, thereby pressing the House to do likewise. In 1985, they produced the Gramm-Rudman deficit-reduction bill. Even Tip O'Neill had to admit that without Gramm-Rudman, "There's no question the budget would have been higher." In 1986, they vastly improved the tax-reform bill by cutting the top marginal rate to 28 percent. And throughout the period, they gave President Reagan decisive support on Contra aid and other foreign-policy initiatives.

In other ways, however, the Republican Senate disappointed conservatives. It gained little headway against liberal regulatory laws. It did not make fundamental changes in social programs. It failed to champion privatization. It played defense on international relations, gamely backing Reagan policies without taking the offensive against the liberal worldview.

To a large extent, frustrations were inevitable. Despite the GOP majority, liberals kept much of their clout in key committees and on the floor. Supporters of the status quo also benefited from Senate procedures that hinder radical change, as well as from public opinion not yet primed to accept all parts of the conservative agenda. Even so, the Senate probably could have done better.

Weicker in the Chair

In the Senate, seniority largely determines who chairs committees and enjoys other advantages. During the Democratic dominance of the 1960s, liberals complained that the seniority system was stifling their policies by entrenching Southerners in key committee posts. When Republicans took control, the system worked in the other direction because senior Republicans tended to be less conservative than their junior colleagues. During the 97th Congress, those who had been elected since 1972 had an average career vote rating of 74 percent from the conservative Americans for Constitutional Action (ACA). Those elected before 1972 averaged only 57 percent. Senators in the latter group stood first in line for committee chairs and therefore had power disproportionate to their numbers.

To be sure, this group included stalwarts such as Barry Goldwater, John Tower, and Strom Thurmond. But it also included senators who did not bring strongly conservative beliefs to their new committee jobs:

- Mark Hatfield of Oregon (career ACA rating through 1982: 33 percent) became chairman of the powerful Appropriations Committee. According to David Stockman, Hatfield backed the original Reagan program, but balked when the administration sought further cuts in social spending.
- Robert Stafford of Vermont (ACA rating: 25 percent) took over at the Environment and Public Works Committee, where he helped enlarge the existing regime of environmental regulation. Stafford also chaired the Education Subcommittee of the Labor and Human Resources Committee, where he resisted conservative efforts to curb federal control of education.
- Charles Percy of Illinois (ACA rating: 30 percent) assumed the chair of the Foreign Relations Committee. Before Reagan took office, Percy reportedly told Andrei Gromyko that he favored a demilitarized Palestinian state, possibly headed by Yassir Arafat. As chairman, Percy did not actively oppose Reagan foreign policy, but he was hardly a strong advocate.
- Lowell Weicker of Connecticut (ACA rating: 36 percent) got the gavel of the Select (later Standing) Committee on Small Business, where he successfully fought the president's drive to scrap the Small Business Administration.

Some senior GOP senators clashed with conservatives from places other than their committee chairs. Bob Packwood of Oregon (ACA rating: 43 percent) did fine work

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Mary Anne Fackelman-Miner/The White House

Ronald Reagan signs 1986 tax legislation that was vastly improved by the GOP Senate.

for economic deregulation as chairman of the Commerce Committee. As head of the GOP senatorial campaign, however, he fought to undercut the administration by arguing that conservative social policies had driven women, blacks, Jews, and blue-collar workers from the party. Charles Mathias of Maryland (ACA rating: 14 percent) was blocked from the Judiciary chairmanship by Strom Thurmond, and instead led the powerless Rules Committee. Nevertheless, he still used his membership on both Judiciary and Foreign Relations to cast key votes against Reagan.

Lawmaking in the Slow Lane

A Senate majority party finds it tougher to wield effective control than does its House counterpart. The Senate's rules and traditions favor minority rights and individual prerogatives. The House's procedures virtually guarantee that the majority party will get its way.

Committee ratios show the difference. At the start of the 97th Congress, Speaker Tip O'Neill decreed that Democrats would have a far greater share of seats on key House committees than their strength in the chamber would indicate. While Democrats had 56 percent of the seats in the House, they got 66 percent of the seats on the tax-writing Ways and Means Committee. In the Senate, by contrast, party ratios on committees have traditionally mirrored overall party strength. The Republicans' 53-47 majority gave them an edge of only one or two seats on each committee.

With such narrow margins, the conservative agenda faced rough going on committees with Republican dissenters. The Labor and Human Resources Committee had a conservative chairman in Orrin Hatch of Utah. But its nine GOP members included Weicker and Stafford, who often voted with the seven Democratic members and thus deprived the Right of a working majority. The Finance Committee had nine Democrats to 11 Republicans. Of those 11, however, five were not strong conservatives: Bob Packwood, John Danforth, John Chafee, John Heinz, and Dave Durenberger. President Reagan thus had trouble passing conservative programs on taxes, entitlements, and trade—the key areas controlled by Finance.

Committee staffs do much of the Senate's work: drafting bills, writing committee reports, estimating the impact of legislative proposals. Although staffers try to defer to the elected lawmakers, their attachments and ideologies influence what the Senate does. Here, too, the chamber showed signs of inertia in 1981. Control of the Senate gave Republicans the chance to name their own committee staffs. Naturally, old Washington hands had the best chance to land such jobs. These aides often served the conservative cause, but many of them had close ties to interest groups and bureaucrats, and so had little stomach for fighting lobbies and slashing government. There might have been more room for hiring outside-the-Beltway conservatives, except that the Senate Republicans cut committee staff by 14 percent. Although this move saved some money, it also reduced opportunities for fresh blood.

The conservative agenda hit roadblocks not just in committee but on the floor. Senate liberals, who once de-

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nounced the filibuster as an obstacle to civil rights, now used the procedure to throttle conservative social initiatives such as antibusing legislation.

Preemptive Compromise

Majority Leaders Howard Baker (1981-1985) and Robert Dole (1985-1987) believed that a large part of their mission was to advance President Reagan's program. Under their skillful leadership, Senate Republicans came through for President Reagan on roll-call votes. According to *Congressional Quarterly,* their presidential-support ratings averaged 82 percent between 1981 and 1986.

The Reagan administration, however, did not always lead in a clearly conservative direction. David Stockman argues that Reaganomics crumbled in the jaws of special interests. William Niskanen says that the administration lacked the political will to follow through on deregulation and tariff reduction. Jack Kemp faults the State Department for waffling on Central America and strategic defense. Many conservatives also charge the Defense Department and Joint Chiefs of Staff with failing to push for strategic defense as strongly as they might have.

For decades, liberals have used the bogus specter of McCarthyism to escape scrutiny of their record on Communism. No longer should congressional Republicans allow them to get away with this evasion.

Another problem, say conservatives, is that Senate Republicans themselves would sometimes "pre-compromise." Coined in another context by Fred Smith, the term refers to the act of anticipating how the liberal establishment would react to a bold conservative proposal, and weakening the proposal in advance. In 1982, Senate Republicans believed that they would suffer deep political wounds if they pushed more big domestic cuts. Therefore, they agreed to a deficit-reduction bill that emphasized taxes instead of spending control.

Defenders of the Republican Senate note that it did advance an FY1986 budget that would have killed a number of wasteful programs without raising taxes. They also argue that both the Senate and the administration had little choice but to yield ground on economic and other issues because some conservative positions remained unpopular. Senators felt especially vulnerable to such pressure. Of those seeking reelection between 1976 and 1980, over 40 percent had lost. By contrast, House reelection campaigns had failed only 6.6 percent of the time. Having seen their former colleagues fall, senators hesitated to buck the polls.

But that point leads to a further question: Could conservatives have done more to *change* public opinion? Yes—and a Republican-controlled Senate would have been an effective instrument for doing so. Understandably, Republican senators had to spend a great deal of energy supporting President Reagan and attending to bread-and-butter lawmaking. Nevertheless, they could have made more aggressive use of committee hearings and floor debate to bring conservative arguments to attentive voters.

Scrubbing Environmental Law

The GOP Senate could have wrestled the liberals for control of the policy debate on a number of issues. Here are a few.

While serving as a Senate aide a few years ago, I discussed acid rain with a staffer for a major environmental group. I told her that my boss worried about bills requiring coal-fired power plants to install smokestack scrubbers because their by-products include poisonous sludge. She dismissed this concern. So what if scrubbers produce toxic waste, she said, "So do a lot of things." Her job was to push new ways to regulate acid rain; hazardous waste was somebody else's department.

That exchange points to a deep flaw in liberal environmental policies: costly regulation may not only fail, but cause new problems. It took years for federal bureaucrats to write rules carrying out the complex hazardous-waste legislation of the 1970s. While awaiting these guidelines, state officials had to put off action against toxic pollution. And the dumping went on. In the 1980s, Congress enlarged federal control of hazardous-waste policy instead of increasing state and local control. The same holds true for other environmental issues. As Murray Weidenbaum says: "Congress continues to pass high-sounding legislation with unrealistic timetables and inflexible deadlines, while EPA gets ever more responsibilities and private industry spends billions more on environmental compliance. Meanwhile, serious ecological problems worsen."

Public opinion backs Congress because the liberals have framed the policy debate as a choice between regulation and pollution. If you question the Clean Air Act, a lot of people will think you prefer dirty air. A well-organized series of public hearings could have cast doubt on such assumptions by highlighting the failures of federal red tape. Over time, this effort could have increased public support for policies oriented toward the market and state governments.

This did not happen. As noted before, the chairman of the Environment and Public Works Committee supported existing regulations. Furthermore, Anne Gorsuch Burford's troubled tenure at EPA left the administration gun-shy about addressing environmental issues.

Private Alternatives

Privatization—shifting ownership or management of public goods and services to the private sector—could have made inroads in federal policy and yielded political benefits to the GOP. The idea makes such sense that even Atlanta Mayor Andrew Young has given privatization a qualified endorsement in a new volume for the Hoover Institution. During the 1980s, the Senate did approve of some of President Reagan's privatization initiatives, but it did not make a strong and persistent effort of its own.

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Ralph L. Stanley, former head of the Urban Mass Transportation Administration, said in a recent *Policy Review* symposium (Winter 1988) that his greatest disappointment was that he could not engage the Congress—even a Republican Senate—in a serious policy debate on the privatization of urban mass transit.

Perhaps of greater long-term political importance to the Republican Party is tenant management of public housing. The Kenilworth Courts project in Washington, D.C., shows that tenant management can improve efficiency, restore tenant pride, and cut crime and drug abuse. Senate Republicans could have taken the lead in promoting tenant management nationwide. Instead, the job fell to House Republicans, who had to share credit with House Democrats in order to pass the legislation. The GOP thus missed an opportunity. Through a commitment to this genuine reform, the party could have improved its standing among blacks and the working poor. Instead, these groups continued to vote heavily Democratic in 1986. In some states, they may have provided the margin of defeat for incumbent GOP senators.

Tenant management is just one of the social-policy issues where Republicans might have advanced a fundamentally different way of doing things instead of polishing the edges of the welfare state. Education vouchers and health-care savings accounts are two other reforms that the Senate could have put at the top of the national agenda. Either would have faced strong opposition from national interest groups, but that would not have meant doom. Consider the example of economic deregulation. Through hard work and persistence, its advocates gradually wore down special-interest resistance. The result was greater competition and lower prices in transportation and communication. Supporters of other market-oriented reforms would profit by studying how deregulation won.

Learning from Frank Church

When Republicans took control of the Senate in 1981, Democrats had run the White House for four years and Congress for 26 years. Patriotic but misguided liberals had left a lasting mark on American foreign policy. From Cambodia to Vietnam to Nicaragua, they had persuaded America to ditch its friends or back those who turned out to be enemies. They had much to answer for.

Comprehensive hearings on the consequences of liberal foreign policy could have put the Left on the defensive. Such hearings not only would have drawn publicity, but would also have created a rich public record of testimony and documents. This is important. The published transcripts of committee hearings go to hundreds of libraries across the country, and serve as a primary source for scholars and reporters. Hearings held by liberal committee chairmen (for example, Frank Church's intelligence probe of the 1970s) have spawned countless left-wing writings. In a similar way, conservative authors could have gained from hearings based on conservative themes.

Such hearings might have examined the Communist takeover of Nicaragua. Why were Carter officials so much less skeptical about the Sandinistas than about the Somocistas? Why did they worry so little about Soviet and Cuban involvement? Why did they expect the Ortega brothers to honor their promise of democracy? By providing fully documented answers to these questions, Senate Republicans would have exposed the naive assumptions underlying liberal foreign policy. And in so doing, they would have weakened the liberal case against Contra aid.

Sackcloth and Aspin

The next time the Republicans run the Senate, they could take several steps to avoid the frustrations of 1981-1987. Each of these steps has advantages and drawbacks.

Early in 1987, the House Democratic Caucus cast a preliminary vote to oust Representative Les Aspin of Wisconsin from the chairmanship of the Armed Services Committee. His "offense": voting for Contra aid and taking other stands that diverged from left-wing orthodoxy. After the vote, he crawled to the offices of his fellow Democrats,

Republican senators could have made more aggressive use of committee hearings and floor debate to bring conservative arguments to attentive voters.

promising to change his ways if they gave him another chance. They then reversed themselves and voted to keep him on. In making Aspin wear sackcloth and ashes, Democratic liberals sent a message to all committee chairs: toe the line or hit the road.

If the conservative majority of Senate Republicans had enforced discipline on its own errant committee chairs, the conservative agenda might have gone further in the early 1980s. Certainly Howard Baker and Bob Dole would have had greater leverage in their dealings with Tip O'Neill. Under Jim Wright, House liberals have grown even more powerful. The next time a Republican becomes majority leader, he will need all the party discipline he can get.

Nevertheless, the Senate Republicans probably will not consider punishing mavericks. In the decades since Majority Leader Lyndon B. Johnson ran the Senate as his personal plantation, the phrase "chart your own course" has become the chamber's motto. Senators uphold their colleagues' autonomy even at the expense of party policy.

Happily for conservatives, the need for formal discipline may fade because the next GOP Senate will have fewer liberal chairmen than the last one. The Rockefeller generation of Republicans is riding into the sunset, while the Reagan generation is moving up. Although not all the younger GOP members are strong conservatives, the back benches have definitely tilted rightward.

Coordinating with House Republicans

While in the majority, the Senate Republicans had a cool relationship with House Republicans. At a private lunch in 1985, Majority Leader Dole bluntly told House GOP lead-

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ers: "We know that you all think we are jerks." The two GOP conferences lacked a regular process for coordinating policy and sometimes clashed bitterly, as on the budget proposals of 1985.

Some friction was unavoidable. As Madison explained in *Federalist* 51, the Founders sought to dampen legislative activism by designing Congress in a way that minimizes cooperation between the two chambers. Furthermore, the Senate Republicans worked from a different point of view. To enact laws, they necessarily had to cooperate with the House Democrats. This put them at odds with the House GOP. As Dole told the *Washington Post* in 1984, GOP senators did not think they could adopt the visionary stance of Representative Newt Gingrich: "In the Senate, where we have a majority, we have less freedom to run around and stake out positions of our own. We're supporting the president's position; we have to think of votes. . . . While we're passing the legislation, they're looking around for new ideas."

Senate Republicans could have taken the lead in promoting tenant management nationwide. Instead, the job fell to House Republicans, who had to share the credit with House Democrats.

In spite of the ill will of the early 1980s, House and Senate Republicans might consider joint task forces to study issues and coordinate policy. Such proposals have fizzled before, but they deserve another try. Greater cooperation could lead to some intellectual cross-pollination. At very least, it might help quell some of the intramural squabbles that have hurt the party in the past.

Playing to the Galleries

The coming years will supply plenty of fresh material for exposing the failings of liberal foreign policy. Because the liberals blocked so much of President Reagan's Central America policy, that region will have more trouble. Hearings could explore the causes and consequences of that tragic mistake.

Now that C-SPAN II covers the Senate, Republicans might want to use floor speeches to take their case to the viewing public. (Obviously they can do this now, but control of the calendar would make the job much easier.) Following the example of House Republicans, they could directly confront their colleagues' records. For example, they could note that in 1984 Senator Joseph Biden offered to bet Senator Nancy Kassebaum a month's salary that President Reagan would send combat troops to El Salvador after the election. Kassebaum declined the wager, saving Biden $6,016.67. In 1985, Senator Christopher Dodd said that the Democratic members of the bipartisan commission on Central America were "stooges of the administration." These Democrats included AFL-CIO President Lane Kirkland and former Democratic National Chairman Robert Strauss.

Many Senate Republicans would balk at facing down the Democrats in this way. They would argue that such tactics would violate the principle of congressional comity. They would also say that the Democrats could turn the situation to their advantage by screaming about McCarthyism. The first argument merits attention. Although Democrats should be held accountable for their record, Republicans should focus on issues instead of personalities. The second argument has less heft. For decades, liberals have used the bogus specter of McCarthyism to escape serious scrutiny of their record on Communism. No longer should congressional Republicans allow them to get away with this evasion. Criticize away, and let the liberals scream.

Thinking Strategically

In his first debate with Stephen A. Douglas in 1858, Abraham Lincoln said: "With public sentiment, nothing can fail; without it, nothing can succeed. Consequently, he who moulds public sentiment goes deeper than he who enacts statutes or pronounces decisions." Republican senators should hold that thought. During their control of the chamber, they often took public sentiment as given and instead put their energies into Beltway barter. That attitude limited their accomplishments because they had to react to a consensus molded by others. Had they spent more time changing the climate of opinion on Main Street, they could have done more on Capitol Hill.

Next time they should take that course. In particular, they should work on the points of greatest leverage: issues where the public's *opinions* on certain issues mismatch its *convictions*. Most Americans, for instance, are basically anticommunist. Yet this conviction never translated into clear support for the Contras because conservatives failed to educate most people about the Nicaraguan Communists. With committee hearings and floor speeches, the Senate Republican majority might be able to influence opinion on such issues.

These efforts will take time. The press of constituent business and committee grunt work will make it hard to focus on long-term goals. Still, it is an effort worth pursuing. A quotation attributed to Lincoln explains it best: "I am a firm believer in the people. If given the truth, they can be depended upon to meet any national crisis. The great point is to bring them the real facts."

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Margaret & Mikhail?

"I like him and admire him — every molecule was involved." Those were the startling words of "The Iron Lady," the West's foremost anti-communist leader, after her meeting with General Secretary Gorbachev.

Perplexing Involvement

Following their meetings, Mrs. Thatcher has labored to sway the West to accommodate Gorbachev in an effort to help him solidify his control in the Kremlin. Previous thoughts of retirement have disappeared. She is now looking forward to a fourth term in office.

There are many questions surrounding the relationship in which some observers "have detected an element of courtship." Is it a matter of chemistry or calculation? Is she playing into his hands? Or is it possible that her adoration will cause his ruin?

The Source

These, and many more questions, are raised in an eye-opening article by Gerald Frost, director of the Institute for European Defense and Strategic Studies in London, published in *The National Interest.*

Mr. Frost, former secretary of the Center for Policy Studies (founded by Margaret Thatcher and Sir Keith Joseph) draws a picture of two fascinating leaders, each implementing pioneering political changes with bold strokes. He studies their mutual fascination and evaluates the risks involved. It's a must read for every intelligent American (and you may now read it absolutely free).

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SHRINKING MORTGAGE

Ronald Reagan Was a Friend to Future Taxpayers

THOMAS E. DAXON

As Ronald Reagan leaves the White House, critics dismiss his dazzling array of economic achievements by saying that anyone could have looked good writing $200 billion in hot checks every year. Despite sustained growth and lower inflation, an unease prevails that we have mortgaged our future to bring down tax rates. So, it may come as a surprise that as a percentage of GNP the burden the federal government is placing upon future taxpayers is substantially lower today than it was when the Reagan-Bush team took over.

The unease about the future comes mostly from looking at budget deficits that are astronomic by recent standards. Borrowing to finance these deficits (*i.e.* the national debt) has risen from $784 billion in September 1981 to over $2 trillion today, or from 27 percent to 43 percent of the gross national product. This is a liability that future taxpayers must repay or refinance.

But the national debt is only one part of the burden the current policies in Washington are placing on our children and grandchildren. The federal government is passing on many other liabilities (and also some offsetting assets) to the next generation. When we look at the whole burden in relation to GNP, it becomes clear that Ronald Reagan has been a friend to future taxpayers.

Tomorrow's taxpayers must pay not only for current borrowing but also for promised benefits such as pensions for government employees and Social Security. At the same time, tomorrow's taxpayers will receive services from assets purchased during the Reagan administration—reducing the need for future government expenditures.

Funding Federal Pensions

Consider the government's unfunded pension obligations for military and civilian employees. The future pension benefits promised to current and past government employees do not appear in the federal budget, but they are just as much a liability for future taxpayers as is the national debt. Just as with the regular budget deficit, future taxpayers must pay or finance the unfunded portion of these obligations.

Some observers question whether pension obligations are real liabilities. Yet when government employees have worked in good faith for lower pay than their counterparts in the private sector (the case among most government managers) but with the promise of a generous pension, by what right can we deny them the pension they have earned? We can no more rightfully deny these pensions than we can deny payment to those who in good faith have bought U.S. government bonds, lending their money to the government with the expectation of repayment.

Fortunately, the Reagan administration applied some fiscal responsibility to the pension mess that it inherited. Table 1 provides the best estimate by government actuaries of the unfunded pension liability, or, to put it in proper terminology, the actuarial present value of accumulated plan benefits net of assets. As the table shows, pension liabilities grew dramatically during the Ford and Carter years, but their growth moderated significantly under President Reagan.

Funding Social Security

Social Security is by far the biggest liability for future taxpayers. Assuming, as most politicians do, that Social Security benefits are not welfare but an "earned right," then the U.S. government owes the benefits it has promised to the retirees who have paid taxes into the system. The projected value of those earned benefits far exceeds the contributions of the recipients. Just as with the national debt and unfunded pension obligations, our children and grandchildren will have to pay or finance this liability.

Here, too, President Reagan helped bring fiscal responsibility to a program that was hurtling out of control under his predecessors. As the first line of liabilities in Table 2 shows, the $2 trillion national debt that Ronald Reagan leaves pales in comparison with the $5.9 trillion unfunded Social Security liability that he inherited. Through his leadership in shepherding through Congress the bipartisan Social Security reforms of 1983, President Reagan stopped the spiraling growth of this liability.

Again, some observers object to including the unfunded obligation for Social Security benefits in the burden on

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Table 1
U.S. GOVERNMENT PENSION LIABILITIES[a]
(in $ billions)

	6/30/74	9/30/81	9/30/87
Military personnel	$ 80	$378	$457
Civilian employees	108	464	570[b]
Total	$188	$842	$1,027
As percentage of GNP	13%	28%	23%

[a] Actuarial present value of accumulated benefits net of plan assets.
[b] As of 9/30/86, latest date available. (The author's discussions with government actuaries indicate that 9/30/87 figures, when released, will not vary significantly from those of 9/30/86.)

Source: General Accounting Office, Department of the Treasury, and Department of Defense

future taxpayers. They argue that while current retirees may receive more in benefits than they have paid in taxes, current taxpayers can pass on the liability for their own Social Security benefits to new taxpayers entering the cycle. By this reasoning, we would include nothing in the burden on future taxpayers, for the national debt will just as likely be rolled over as well.

The truth is that both the national debt *and* unfunded pension and Social Security obligations place a burden on future generations. In fact, in one important way, the Social Security liability is an even firmer obligation than the national debt. Since the national debt is a monetary liability, we can reduce its real value and therefore its impact on future generations by inflating the currency. However, Social Security benefits (and government-employee pensions) are indexed to protect future beneficiaries from the ravages of inflation. We cannot inflate our way out of our Social Security obligation.

$8 Trillion in the Hole

The Reagan-Bush fiscal legacy consists not only of liabilities but of some assets as well. Not all government spending goes to provide current services. Some goes to acquire assets that will provide services in future years. As Table 2 shows, the value of federal assets net of depreciation rose from $690 billion to $1.1 trillion during the Reagan-Bush years. Much of the increase consists of weapons that will continue to defend the country after Reagan leaves office. We must add these assets to the balance sheet to properly compute the burden on future taxpayers.

When we combine unfunded Social Security and pension liabilities as well as offsetting assets with the national debt, as in Table 2, we find the burden on future taxpayers is substantially lower today as a percentage of GNP than when Jimmy Carter left office. It is even lower than when Richard Nixon left office in 1974!

This is not to say that the U.S. is in sound fiscal shape. This more complete picture of the burden on future taxpayers reveals that the national debt resulting from budget deficits is only a small part of the burden. The good news is that Reagan's policies substantially reduced this burden as a percentage of GNP. The bad news is that future taxpayers are $8 trillion in the hole.

For president-elect Bush, the implication is clear: The most important thing he can do for future taxpayers is to keep a lid on Social Security and pension liabilities. Attempts to reduce the deficit should build on the progress of the last eight years.

Table 2
BURDEN LEFT UPON FUTURE TAXPAYERS
(in $ billions)

Liabilities:	6/30/74	9/30/81	9/30/87
Social Security	$2,460	$5,858	$5,580
Borrowing	343	784	1,898
Pensions	188	842	1,027
Other liabilities[a]	194	391	593
	3,185	7,875	9,098
Assets[b]	(327)	(690)	(1,146)
Burden to future	$2,858	$7,185	$7,952
As percentage of GNP	202%	241%	180%

[a] Includes payables, unearned revenue, veterans compensation, estimates for contingent liabilities, and miscellaneous liabilities.
[b] Net of accumulated depreciation where applicable.

Source: General Accounting Office, Department of the Treasury, Department of Defense, and Social Security Administration

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SHANGRI-LA REVISITED

Conservatives in the Peace Corps

ELIZABETH EDWARDS

The Peace Corps has returned over 120,000 volunteers since its creation in 1961. Crafted in the days of Kennedy's Camelot, it is sometimes ridiculed by conservatives as a bleeding-heart liberal institution, and as the incubator of the "blame America first" attitude of so many of its alumni, among them former Massachusetts Senator Paul Tsongas, Connecticut Senator Christopher Dodd, and writer Paul Theroux of *Mosquito Coast* fame. Even the name of the Peace Corps captures the naive, wishful thinking of those who believe that wars would end if only peoples got to know each other better.

But service in the Peace Corps has also influenced profoundly a number of prominent conservatives. The primary objectives of the Corps are to encourage Third World development, to promote international cooperation and good will toward the United States, and to educate Americans about their host countries. None of these goals is incompatible with conservatism; in fact, first-hand experience with the overregulation and authoritarianism of the Third World has made a number of volunteers more appreciative of democracy and free enterprise both at home and abroad.

Charles Murray Discovers Happiness

In 1965, the day after his graduation from Harvard and 20 years before the publication of *Losing Ground*, Charles Murray began a Peace Corps journey to Thailand. "It gave me a different perspective on what poverty means. I saw the Thai villagers leading happier, richer lives with more hope for the future than many people in American slums with higher material standards of living," the author says. "Because of that, when I hear about people living below the poverty line, I ask where they live. If it's in the Bronx, they live miserably. If it's in small-town Iowa, it can be a decent existence." The concept of poverty Murray developed in Asia has influenced all of his writings, he explains, particularly his new book on the meaning of happiness, *In Pursuit*.

From his six-year Thai experience, spanning two years in the Peace Corps, one in the Agency for International Development, and three in private research, Murray also learned to be skeptical of government programs devised by experts in the capital city. A development plan deemed important by Bangkok was peripheral to village concerns, he says. "The fact that a local official caught a water buffalo thief was essential, not the few days the village spent working on a well project. I realized that what the villagers talk about is important, and that development projects miss the point." Murray identifies this idea as a second theme pervading his work.

Charles Murray was in many ways a typical volunteer in the glory days of the Peace Corps. His concentration in Russian history at Harvard did not prepare him for his Peace Corps work, gathering radio testimonials for a sanitation program. Although he considered himself a Jack Kennedy Democrat who wanted to do the best job he could, he is quick to explain that he did not expect to change the world as so many volunteers did. He terms the Peace Corps a stunning confrontation with the real world: "One great virtue of the Peace Corps is that it takes young people devoted to school for 16 years and throws them into practical environments."

Abell's Anti-Communism

Richard Abell, assistant attorney general in the Justice Department, became an ardent anti-Communist in the Peace Corps. "I saw the bodies of campesinos killed by Communist guerrillas who claimed they were working for and supported by the people," he remembers with some sadness. "I saw the Left saying one thing, while utilizing tactics of fear and terror." It was a rude awakening for Abell, who had been a Socialist Party member during his first years at George Washington University and had arrived in Colombia a liberal Republican. The experience was the beginning of a political, philosophical, and religious odyssey, which prompts him now to define socialism as reactionary and capitalism as revolutionary. "I am a stark conservative now because I understand Communism from the inside out," he says.

From 1967 to 1969 Abell worked out of Valdivia, Colombia, in charge of development programs for a county-sized region. He encouraged community building of

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Susan T. McElhinny

Losing Ground and *In Pursuit* author Charles Murray in Thailand in the late 1960s; and today.

Richard B. Abell in Colombia, late 1960s;
and as U.S. assistant attorney general 20 years later.

Peter McPherson in Peru, mid-1960s;
and as Deputy Treasury Secretary today.

Tom Petri in Somalia, 1966-67; today, Petri is a U.S. congressman from Wisconsin.

Daryl Plunk, with future wife Elizabeth, in Korea, 1978; in 1987, next to Korean president Roh Tae-Woo.

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schools and streets and helped his hosts set up township-level governments. He immersed himself in the culture, bringing back the ultimate souvenir, his wife, Lucia.

Abell fulfilled the person-to-person commitment of the Peace Corps by helping parents concerned about their children. Two fathers, who had worked to improve their families' financial situations and had sacrificed to send their first sons to college, were unable to combat the Communist ideology instilled in their sons there and asked Abell for help. Unwilling to interfere with local politics, the young American resisted until the town mayor pointed out that Communism was not in the realm of normal politics. On a whim Abell wrote to Fred Schwarz of the Christian Anti-Communist Crusade and soon received complimentary Spanish copies of Schwarz's *You Can Trust the Communists . . . To Be Communists*. Although faced with threats of dismissal from Washington Peace Corps headquarters and his own country director, Abell ignored hints to burn the books and implied that they had been lost in the mail. At high school graduation that year, every senior received with his diploma a copy of Schwarz's book. "All these people in our own government screamed academic freedom and freedom of expression, but only meant them as means to an end," Abell says almost heatedly. "They wanted power and control. They didn't give a bloody damn about the freedoms of a democratic-republican form of government."

Because of his exposure to the Colombian Communists, Abell volunteered to fight in Vietnam after he finished his Peace Corps service. "I realized the Left was negating justice and was against people who worked for a living and were trying to uplift their families," he says. "I felt a duty not just to America but to the Third World in general to go and fight."

McPherson and the Market

Deputy Treasury Secretary Peter McPherson honed his individual-initiative philosophy of development in the Peace Corps in the mid-1960s. The former administrator of the Agency for International Development discovered in Lima, Peru, that governments often hinder Third World progress. "I had arguments with my colleagues about market approaches," he says. "But I saw that government intervention in Lima's public housing was a clear disaster, while a friend there who built his own house from scratch made the community better." He asserts that if government provides welfare, people become stagnant economically; if they are provided with an infrastructure of education and appropriate tools, they will help themselves. "That old line about teaching a man how to fish rather than giving him the fish is true," he says, though conservative critics of McPherson maintain that at AID he did not always practice the reliance on market incentives that he articulates.

McPherson says that the Peace Corps strengthened his developing commitment to free enterprise coupled with public investment in infrastructure. After graduation from Michigan State University, where he was a College Republican, he parlayed his Peace Corps involvement in a variety of AID projects into a career in development. "It helped me get to be AID administrator, which is what I wanted," he says bluntly. He argues that the Peace Corps' real mission should be to animate economic change and development. "The poor, like you and me, want to have a better life," he says. "Their drive is the real energy that changes the Third World. We should use the volunteer to further that economic drive."

Tom Petri and the Rule of Law

In 1966 and 1967, Thomas Petri confirmed his faith in constitutional government while a Peace Corps volunteer in Mogadishu, Somalia. Now a Republican congressman from Wisconsin, Petri says the experience "made me ask why Somalia was less developed, because, you know, at one time the United States was less developed than Somalia. The answer was that we have a good system of laws and freedoms." Just out of Harvard law school, he worked on a system of legal instruction for Somali judges and a compilation of laws passed since the country's independence. The work underscored for him the superiority of constitutional government, and the dangers in Americans taking their constitution for granted.

Petri still feels the impact of his Peace Corps days. Generally recognized for his fights against price supports in the tobacco industry and extra AFDC funds to under-18 mothers who leave home, he proselytizes on the fundamental principles of American government. "We can't emphasize it enough," he says frequently when he speaks to junior high and high school students about the superiority of the U.S. constitution. "We have property rights and a relatively honest legal system. In the United States people can work for themselves and their families with a sense of security." A favorite adage for Petri is that if the goldfish is always in its bowl, it doesn't know about the ocean. He offers this and other advice to future volunteers, urging humility and a willingness to learn about people's differences. "Remember that material worth does not make us better, it only makes us luckier," he says.

Jim Courter and Free Enterprise

Can a former Peace Corps volunteer become one of the House of Representatives' most articulate champions of a strong military and the Strategic Defense Initiative? Congressman Jim Courter sees no contradiction. "My father was dirt poor for years and did well because he made the opportunity and was honest. He taught me that we should give back to our country, and I agreed with him. Volunteering for the Peace Corps was a natural outgrowth for me," the New Jersey congressman says vigorously. Courter says his 1967-1969 service in the Peace Corps did not alter him politically, except to reinforce his belief that American government, with its free enterprise system, is the best in the world. This belief is integral to his progressive conservatism, he says, which accents values, incentives, and sound money.

Fresh from Duke law school, the Colgate University graduate served in Venezuela, working on municipal tax revision, automobile accident prevention, and sanitation for open-air markets. Courter says his belief in free enterprise was strengthened by his observation of intrusive government intervention in the Venezuelan economy, particularly the favoritism on behalf of a petrochemical company that was insensitive to the environment, while new entre-

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preneurs attempting to compete were refused credit. "The government decided who got big loans," he recalls. "People and companies that were politically connected didn't have to compete. I found that unfair." He renewed his humanitarian belief in an American system that raises the general standard of living. He suggests the Peace Corps is an experience that broadens volunteers' sensitivity to the world.

Plunk and Korean Dynamism

Formerly of The Heritage Foundation and now with the Richard V. Allen Company, Daryl Plunk forged his anti-Communist views in 1978 in the Republic of Korea. For two years the Peace Corps volunteer observed a vivid ideological clash between freedom and slavery. He describes being constantly made aware of the difference between North Korea, a totalitarian country, and South Korea, a nation moving toward democracy. A visit to the DMZ (demilitarized zone) crystallized his perceptions. "I walked up to the line and looked into a country whose people are more repressed than anyplace else," he remembers. "Seeing that daily standoff and then the tank traps, minefields, and barbed wire on the way back to Seoul, I knew that the fight was really about innocent people being killed each year by acts of North Korean terrorism." He was amazed that the South Koreans not only survived but prospered, with one of the most remarkable economic growth rates in the modern world.

A graduate of Millsaps College in Mississippi, Plunk was assigned to teach English, the first year in a rural town in southern Korea and the second year in urbanized Ulsan. Through his travels he came to see Asia as a dynamic continent of fledgling democracies and free markets. He uses his Peace Corps lessons to explain to Americans how and why Asia is the region of the future.

Plunk points out that there are actually 60 different Peace Corps in the world, each dependent on the country served and the personnel staffing it. He argues that neither the politicized Left nor the Right should dominate the Corps, saying instead that both sides should promote American interests. Patriotism is crucial to those interests. As Plunk puts it, "I developed a keen appreciation for this country. I came back with an understanding of what we have here and how precious it is. I have a strong sense of what it is to be American. There's no place like the USA."

The Peace Corps of the 1980s is undergoing a face-lift in some ways. With the average volunteer age currently at 30, the wide-eyed university student is a fading stereotype. The Peace Corps now actively recruits retirees from technological, agricultural, and corporate sectors, people who can bring needed skills to their host countries and who are often less politically involved than the college graduates of the '60s. Efforts are also made to attract qualified people in need of a sabbatical from business pressures. This is all well and good. But the energy and idealism typical of 22-year-olds is still crucial to the true spirit of the Peace Corps, and must be encouraged. Recent graduates should not reject the broad meaning of a commitment to others. While the Reagan era of peace and prosperity has left them feeling good about themselves and their country, it also holds them to a responsibility. It's necessary for them to give as individuals, at home and abroad. Peace Corps service is one way for young, especially conservative, Americans to make a positive difference.

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PUTTING THE PATIENT FIRST

A Kinder, Gentler Health System

RONALD F. DOCKSAI

The new president must take the offensive on health issues by attacking Congress's piecemeal approach to health policy as an inadequate remedy for the serious problems of an outdated and basically unsound system. He must offer the American people a vision of a revitalized health care system that provides incentives for increased quality and technological innovation, while reducing costs, bureaucracy, and uncertainty. President Bush must advocate reforms that refocus American health care on serving the needs of consumers, not those of providers, bureaucrats, or special interests. He must offer to all Americans a system that gives them control over health care decisions, while encouraging them to set aside the resources they need to purchase this care.

The new president should vow to achieve sweeping health care reform by the end of his term. His goal should be to overhaul completely America's health care tax policies and to restructure the three major health programs of the federal government—Medicare, Medicaid, and veterans' health benefits. To reach this goal, President Bush will need to work during his first year to build broad public support for his proposals and then spend the remainder of his term pushing his legislative agenda through Congress.

As he unveils his program, the new president first should point out the underlying deficiencies of the current system, particularly its inability to adapt to changing needs and technology and its inherently inflationary structure. The current system is not geared to meet the growing need for long-term care and terminal illnesses not suited to hospital care. At the same time, the system provides insufficient incentives for hospitals, physicians, or patients to use new technologies and procedures to reduce the costs of treating less serious illnesses.

Third-Party Disincentives

The new president should point out that the principal reason for this lack of cost consciousness is that federal policy encourages the reimbursement system in both private insurance and public programs to favor the interests of providers, not consumers. Policies are geared to covering the cost of specific procedures or the services of specific providers, not to meeting the consumer's general need for comprehensive health services and protection against high and ever-rising medical costs.

Under this third-party payment system most consumers directly pay only a small portion of their medical bills. The greatest proportion is reimbursed by an insurance company, an employer, or a government agency. This insulates patients and providers from the real costs of their decisions. Third-party payment discourages patients from questioning the need for or cost of procedures and encourages providers to increase costs or offer additional services of only marginal benefit. President Bush should emphasize that until these incentives are changed, it will be impossible to provide Americans with the health services they need without incurring runaway costs. He must also make it clear that health care financing problems are interrelated and can only be solved by comprehensive reform, not by Congress's current piecemeal approach.

Having explained the causes of the deficiencies in America's health care system, the new president should propose reforms that would restructure the entire system to serve the needs of the consumer rather than the health care industry. Specifically, the new president should send to Congress an omnibus health care reform bill.

For political and economic reasons, the centerpiece of the bill must be a set of tax deductions to encourage consumers to purchase health services and insurance directly rather than through the current third-party system. The inclusion of a politically popular tax deduction is essential to gaining acceptance for the reform package and to counter politically potent proposals to expand federally supported services. At the same time, these tax policies would introduce effective consumer choice as the primary mechanism for forcing providers to offer quality services at competitive prices, thereby bringing health care inflation under control. Also, by encouraging consumers to purchase routine health care services out of pocket, health insurance companies would have incentives to concentrate

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Illustration by Alexander Hunter for *Policy Review*

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on providing policies more suited to the natural function of insurance—coverage for unlikely but very expensive occurrences.

Direct Appeal to the People

Reducing health care inflation and restructuring health insurance to focus on catastrophic coverage are essential preconditions for restructuring government health programs later in the term, particularly Medicare and veterans' health benefits. The government would be able to fulfill its commitments to these groups of beneficiaries more effectively and efficiently by providing them with vouchers, certificates of a certain value used to purchase a service. A voucher for Medicare would encourage the elderly to shop around for the best combination of price and quality in medical insurance or prepaid health plans, leading to better services at lower cost. A voucher system also would give beneficiaries more control over their own health care decisions.

President Bush should introduce his omnibus health care reform legislation in 1990, giving him a year to build public support for his proposals and forestall congressional initiatives by campaigning against them as inadequate remedies.

The new president then must go over the heads of Congress and the special interests and appeal directly to Americans for support. Reagan successfully did this with the 1981 tax cuts and the 1986 tax reform. President Bush must begin by asking Congress for a very large loaf, expecting full well that he will only get half. But then he must take what Congress gives him and immediately turn around and ask for the rest. In accepting the first part, he must tell the American people that it is a good start, but only a start, and solicit their support for his renewed efforts to finish the job.

President Bush must refocus American health care on serving the needs of consumers, not those of providers, bureaucrats, or special interests.

Transferring Deductions to Individuals

The central feature of an omnibus overhaul of health care would be tax changes transferring most of the health care tax deductions from the employer to individuals and families. This would spur cost consciousness and create the consumer-sensitive market largely absent from the current system. The transfer would be phased in over a three-year period, and should include the following provisions:

First, Americans would be permitted to deduct fully from their taxable income all out-of-pocket medical expenses without having to itemize their tax returns. Currently, only taxpayers who itemize can deduct medical expenses, and only those expenses exceeding 7.5 percent of their income. The proposed change would give consumers an incentive to pay directly for more of their own medical care, particularly that which is inexpensive or routine, such as preventive checkups, dental care, prescription drugs, treatment of common injuries or infections, or minor emergency treatments. To encourage the purchase of insurance policies with higher copayment levels, under which the patient pays a larger share of the bill, this deduction should include expenditures on insurance policy deductibles and coinsurance. Out-of-pocket expenses for long-term care and premiums for long-term-care insurance should be treated the same as those for acute care under these deductions. Because this provision will likely enjoy the most popular support, it should be the central element in the reform package. Encouraging consumers to pay directly for less expensive services will lead them to start questioning the cost of all medical care.

Second, taxpayers would be allowed to deduct up to 80 percent of the cost of individual health insurance premiums. Currently, such premiums offer most individuals no tax relief, while company-provided plans are deductible by the firm. This provision could be phased in with corresponding reductions in the amounts employers are allowed to deduct for purchasing insurance for their workers. This would be of particular help to workers in smaller firms, which often do not provide company-paid insurance. The main reason for separating this deduction from that for out-of-pocket medical expenses is that allowing health insurance premiums to be fully deductible might lead to overinsurance, blunting the economic benefits of encouraging consumers to purchase low-cost medical services directly. As with out-of-pocket expenses, taxpayers should be allowed to take this deduction without itemizing.

Third, taxpayers should be allowed to deduct medical expenses for needy relatives without having to meet the dependent support test. Under current law, before a taxpayer can claim a personal exemption or other deduction for a dependent, he must demonstrate that he provided at least 50 percent of that dependent's total support for the year. This change would encourage families to assume more of the health care costs for medically or financially needy relatives, particularly the elderly, the disabled, the unemployed, and low-wage workers. This provision would be particularly helpful in meeting the need for long-term care services and insurance for the present elderly population. It also would help extend coverage to young uninsured workers entering the job market, and provide more flexibility to the parents of disabled children.

Fourth, corporate health care tax deductions should be limited to money spent on preventive health and "wellness" services provided at the workplace. Most of the existing corporate health care tax deductions would be phased out under the tax changes discussed above. This remaining deduction would encourage corporations to target their health benefits where they can do the most good, with firms encouraged to make sure their employees stay healthy. While such services are low in cost, they can reduce later demand for more expensive treatments.

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Defusing the Medicare Time Bomb

Medicare faces heavy long-term financing problems that threaten to produce untenable payroll tax burdens for workers or deep benefit reductions for retirees. Based on the federal government's own most recent projections, Part A of the system, which finances hospital coverage through the Medicare payroll tax of 2.9 percent of wages, is likely to run short of funds to pay promised benefits between 1999 and 2006. The cost of Part B, which reimburses physicians' fees, is already increasing rapidly and will rise even faster when the new catastrophic legislation is implemented.

To address these financing problems and the underlying perverse incentives that cause them, the new president's proposed omnibus legislation should include two key amendments concerning Medicare.

First, the surtaxes and new drug benefits contained in the 1988 catastrophic health legislation should be repealed. Under the legislation, elderly couples could face income tax surcharges of as much as $2,000 by 1993. As more of the elderly become aware of the real cost of the catastrophic legislation, repeal will become increasingly popular.

Second, in exchange for repealing the surtaxes on the elderly, Medicare should eliminate the current $564 inpatient hospital deductible and instead establish a new set of front-end coinsurance rates for both Part A (hospital care) and Part B (out-patient physician services). Coinsurance refers to the share of a medical bill that must be paid by the patient. The new rates should be tapered so that beneficiaries pay a declining share of the bill as their hospital and doctor charges increase. For example, Medicare enrollees would pay, say, 20 percent of the first $2,000 of Medicare-approved medical costs, 15 percent of the next $3,000, 10 percent of the next $5,000, and so forth. The rates should be designed so that no beneficiary would pay more than $2,500 in 1991. Both this cap and the specific coinsurance rates should be indexed to program costs for the years beyond 1991, to keep pace with inflation.

This change, like the 1988 legislation, would limit beneficiaries' potential out-of-pocket costs, while protecting those with serious illnesses. But unlike the 1988 law, which does nothing to encourage cost control, requiring beneficiaries to pay more of their front-end costs would spur them to question the need and expense of their treatment for less serious conditions.

Opting Out

Other measures are needed to change how the medical care of retirees is funded. These measures should encourage working Americans to establish private savings to supplement or replace their Medicare coverage, and they should replace the current Medicare reimbursement system with a voucher program.

An "opting out" proposal, where workers would be given the option of establishing private savings and insurance accounts during their working years to substitute for part of their Medicare coverage in retirement, should form the foundation of the Bush administration's proposals. Legislation for this was introduced in 1985 by Representative French Slaughter (R-VA). Under the Slaughter plan, workers and their employers could contribute to individual health care savings accounts (HCSAs) up to the amount of Medicare payroll taxes. Contributors would receive an income tax credit equal to 60 percent of the amount paid into these accounts; the contributions and investment returns would accumulate tax-free until retirement. To the extent each worker used this option, he or she would receive reduced Medicare coverage for more routine medical expenses in retirement. The accumulated private funds in the account, moreover, would be available to purchase supplementary private health insurance or to pay for expenses directly.

The centerpiece of reform must be a set of tax deductions to encourage consumers to purchase health services and insurance directly rather than through the current third-party system.

In tandem with legislation to permit this opting out of Medicare, the new administration should propose Medicare vouchers for those Americans choosing to remain within the system. The certificates would be used by Medicare beneficiaries to purchase insurance or prepaid health plans approved by Medicare. The face value of the voucher would vary according to the health condition of the beneficiary to ensure that coverage was available. The vouchers would stimulate innovation and price competition in health care because recipients would have the incentive to seek the best deal from insurers.

A voucher system can only work well in a functioning and competitive free market, however. Today's regulation and tax policies prevent the private health market from functioning properly. Normal market incentives must be restored to health care through changes in the tax code before the government can take full advantage of the potential of health care vouchers.

Medicaid's Original Intent

Medicaid originally was intended to finance basic health care services for the poor. But, by default, it has increasingly become a program for financing care for those who are driven into poverty by high medical expenses. Without major reforms, Medicaid's problems will only grow worse. The projected growth in the elderly population will increase the demand for nursing care. At the same time, the need for catastrophic acute or long-term care is increasingly a problem for young and old alike. The costs of caring for younger patients with severe disabilities or terminal illnesses such as AIDS or degenerative neuromuscular diseases can far outstrip those for a retiree spending the last months of his or her life in a nursing home. Having ex-

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hausted their resources and run out of other options, more of these younger patients are now on Medicaid rolls.

Blunting the consequences of catastrophic occurrences such as fire, floods, shipwrecks, and accidental deaths is precisely what true insurance is designed to do; and it does so in every area—except health care. In the long run, using tax incentives to restructure health insurance is the only real solution to financing catastrophic health care. Yet, even if insurance were restructured tomorrow, many patients would still be trapped in the existing system and some portion of the poor, such as drug abusers with AIDS, would need catastrophic care.

To respond to these needs, President Bush, as part of his omnibus health care legislation, should propose separate programs to fund long-term care for the elderly poor and comprehensive treatment for AIDS patients. Freeing Medicaid from the burdens of financing AIDS treatment and long-term care for the elderly is the essential first step to restoring its original function of providing basic health care services to the poor. The next step is to incorporate Medicaid changes into an overall welfare reform strategy to give states more flexibility in administering programs and to encourage the development of innovative and cost-effective methods for delivering services to the poor.

Americans should be permitted to deduct fully from their taxable income all out-of-pocket medical expenses without having to itemize their tax returns.

In proposing Medicaid reforms, the new president will be able to build on Reagan administration foundations. The 1981 Omnibus Budget Reconciliation Act gave states more latitude in tailoring their Medicaid programs to meet their particular needs, and the states have accepted the challenge eagerly. States also have been allowed to request waivers from federal regulations governing the way they administer Medicaid; in 1982 more than two-thirds of the states applied for such waivers.

In 1982 the Health Care Financing Administration approved funding for demonstration programs in seven states to test alternative medical delivery systems for Medicaid recipients. The successes and failures of these demonstrations can guide future state experiments. In keeping with an overall welfare reform strategy, the new president should seek legislation to give the states even more flexibility by reducing federal Medicaid regulations and expanding the availability of waivers.

Health IRAs

Federal and state governments already spend over $20 billion a year on long-term care for elderly Americans unable to pay for these services themselves. This help is provided primarily through Medicaid. Yet Medicaid is not well designed for dealing with the long-term care financing needs of the elderly. In spite of federal Medicaid waivers giving states more flexibility in providing long-term care, the basic structure and regulations governing the program are geared to providing for the acute-care needs of the nonelderly poor.

The best way to deal with the burdens imposed on Medicaid by retirees needing long-term care would be to separate Medicaid's existing acute-care and long-term care functions. The eligibility criteria and benefits of each program could then be adjusted for two different sets of needs.

President Bush should propose legislation to move all long-term care assistance from Medicaid to a new, separate, federal/state program. Such assistance should be better designed to cover elderly couples, since nursing home expenses for a disabled individual often can impoverish the spouse. A couple should be allowed to keep substantially more income and assets than under current Medicaid law and still qualify for government aid.

Once the long-term care costs of low-income Americans are taken care of by the government, the remaining issue would be how to deal with cases of moderate-income and affluent Americans hit suddenly with high nursing home costs. The pressure for a massive expansion of federal long-term care assistance comes mainly from moderate-income Americans concerned about nursing home costs draining their finances. Yet this is not really a health policy issue, but an estate planning issue. It does not call for government help. The government should not be asking the taxpayer to preserve substantial private estates. The very fact that the issue is one of protecting available resources demonstrates that the elderly person or couple in this situation can afford private insurance.

The federal government should encourage Americans to begin buying insurance for long-term care during their working years to reduce the annual cost of premiums. It could do this by extending the same tax policies to long-term care insurance that now apply to life insurance. Thus, the income earned on investment reserves for long-term care policies would no longer be taxed, just as life insurance reserves are not taxed. Similarly, the benefits paid by long-term care policies should be made tax exempt, as life insurance benefits are. Moreover, all workers and retirees should be permitted to use vested funds in pension plans, 401(k) plans, Individual Retirement Accounts (IRAs), and other retirement plans to make tax-free purchases of long-term care insurance.

After the tax code has been changed to make catastrophic, acute, and long-term care insurance more affordable, working Americans should be required to purchase catastrophic health insurance for themselves and their families. There will always be the danger that some individuals who can afford protection will prefer to play Russian roulette with their own and their families' health. Such individuals should not be allowed a free ride on the rest of society, expecting government, charitable organizations, or hospitals to defray or absorb the costs of their lack of foresight. Instead, they should be required by law to purchase protection, at least for their dependents and prefera-

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bly also for themselves. This would be similar to current policies in many jurisdictions requiring auto owners to have liability insurance.

A Separate Program for AIDS

The AIDS crisis has revealed many of the flaws in America's existing system for financing and delivering health care. As a result of the incentives in existing federal policy, the current structure of private health insurance is geared mainly to meeting acute-care expenses. Because most health insurance is provided by employers, patients who lose their jobs because of illness or other factors are left without even this protection. Nor is the existing structure of public assistance programs much better equipped to deal with this problem.

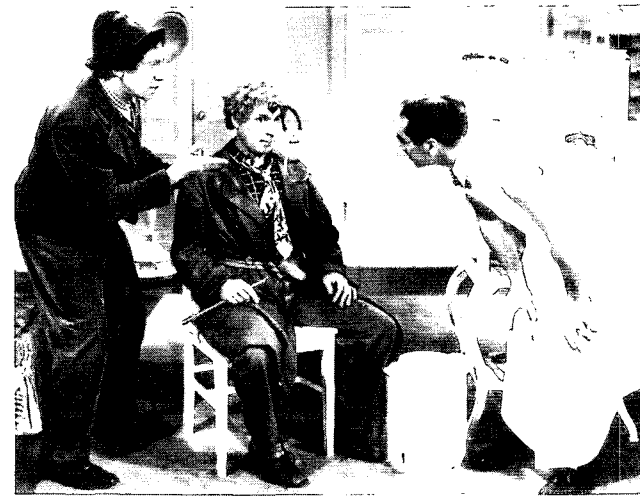
Existing federal programs are geared to meeting the needs of individuals with health problems very different from those of AIDS patients. For both elderly and disabled Social Security recipients, for instance, Medicare is designed primarily to finance occasional hospital and physician care. It is not designed to pay for long-term nursing care for such conditions as Alzheimer's disease or AIDS. Similarly, disability insurance is designed to provide cash assistance to individuals who, because of some injury, are temporarily or permanently unable to work. There is a waiting period before benefits will be paid so that Medicare officials can determine whether the beneficiary is going to recover and resume working. It is not designed to fund the support or treatment of the terminally ill.

For most illnesses there are, at best, only a handful of treatment options. Doctors choose the one likely to offer the best results, given the patient's individual physiology and the severity of the illness. But AIDS patients are vulnerable to a wide variety of infections and cancers that can strike suddenly and can occur in numerous combinations. The result is that doctors face a different medical condition in almost every AIDS patient they treat. This means that AIDS patients need a comprehensive range of services, provided by highly trained and costly specialists. As the disease progresses, AIDS patients may require months of expensive skilled nursing care.

HIV Centers

What is the best way to provide and finance this necessary care and treatment? In a modern, affluent, and compassionate society such as the United States, citizens expect the cost of treating such expensive and unanticipated illnesses to be spread through the population. Americans see this as a humane reaction to an unexpected health care catastrophe for which individuals are unprepared.

Costs can be spread in various ways. Some have suggested that private health insurers should be forced to accept AIDS sufferers at normal premium levels, with all premium payers, in effect, picking up the cost for AIDS. This would be a mistake. It would place the cost of treating AIDS sufferers on Americans who had the foresight to obtain health insurance, allowing those without insurance to avoid making any financial contribution. Worse still, forcing insurance companies to pay the tab could mean dramatic increases in premium costs, encouraging millions of Americans to drop their health insurance.



Low Marx for outmoded procedures.

Similarly, trying to use existing government programs to accommodate the new challenge of AIDS would detract from those programs' original purposes and cause endless duplication and eligibility disputes. Even more important is the danger that an uncoordinated, piecemeal approach to meeting the AIDS crisis will give numerous special interests leverage to expand their favorite government programs or to create new ones. There are always those eager to profit from public crises. In fact, the use of AIDS to justify expanded budgets or new programs already has started.

The new president should propose, as part of his omnibus health reform package, a separate program within the Public Health Service to finance the treatment of Human Immunodeficiency Virus (HIV)-infected individuals. The program would be administered by the states and financed primarily by federal block grants according to the number of cases in each state. Use of the funds would be limited to officially designated treatment centers certified by the states, modeled on existing successful facilities pioneered by several cities. These would provide comprehensive inpatient and outpatient AIDS treatment and care. States would be free to determine which public or private facilities should be treatment centers and to set the compensation or reimbursement levels for doctors and other health care providers working in those centers.

Any American with a confirmed positive diagnosis of HIV infection automatically would be eligible to seek treatment at a center. States should be allowed to charge patients coinsurance to defray part of the cost of their treatment. In the case of patients with spouses or dependents, the charges imposed by states should be restricted by federally established maximum and minimum income and asset levels to ensure that spouses or dependents are not impoverished. States also should be allowed to prevent patients from sheltering assets by transferring them to others following their diagnosis of HIV infection. This would be similar to the asset transfer restrictions that now apply in the Medicaid program.

The centers would enhance efforts to gather more comprehensive data on the disease itself and conduct clinical research into curing or preventing it. Moreover, while the biggest part of the cost of treating victims would be borne

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by all Americans, the proposal would correctly require AIDS sufferers to make a reasonable contribution to their treatment, without jeopardizing the economic security of their families.

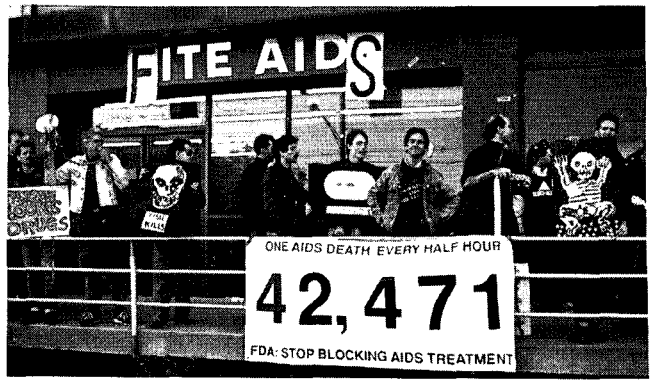
Faster Drug Approval

Most Americans believe that insuring the safety of the medicines they use and the food they eat is one of government's appropriate regulatory functions. How the Food and Drug Administration does this, however, needs to be reformed. The FDA regulatory process inflicts an excessive burden on the food and drug industries and ill serves the consumers. The Reagan administration has tried to reform this important agency, but FDA reforms too often have been blocked by congressmen more concerned with the needs of special interest groups than those of consumers.

The most striking evidence of the need for FDA reform is the way its inordinately long drug review process repeatedly has denied patients with terminal or life-threatening illnesses access to drugs that might save or prolong their lives. The AIDS crisis has been particularly instrumental in focusing public attention on this problem and the need for FDA reform. President Bush should take advantage of this opportunity by including in his omnibus health care reform legislation proposals to overhaul the FDA and to make it more responsive to the needs of consumers without jeopardizing its mission to protect public safety.

After the tax code has been changed to make catastrophic, acute, and long-term insurance more affordable, working Americans should be required to purchase catastrophic health insurance for themselves and their families.

First, he should propose a more reasonable standard for FDA approval of food products. Current FDA regulations, based on the 1952 Delaney Amendment to the Food and Drug Act, prohibit the FDA from approving food products containing carcinogens in any amount. In the 35 years since this amendment, the technology for identifying chemical elements has improved dramatically. Trace amounts of carcinogens that in earlier years went undetected can now be identified in many food products, though the risk of their causing cancer is, at most, negligible. To compensate for the effects of improved technology, the FDA in many cases has ignored these regulations and approved products anyway. This leaves the food industry in the difficult position of trying to meet what are in effect arbitrary standards. The next administration should propose a clearer and more reasonable standard for determining acceptable levels of carcinogens in food products.



Doug Hinckle/The Washington Blade

The AIDS crisis has focused public attention on the need for FDA reform.

Second, the new president should propose amendments to allow patients with terminal or life-threatening illnesses to use unapproved drugs on an informed consent basis and to permit limited domestic production and sale of such drugs for this purpose.

Third, the new president should propose reforms to allow more prescription drugs with proven records of safety and effectiveness to be sold over the counter. There is already a growing trend toward more self-medication using nonprescription drugs and home diagnostic tests, and in recent years the FDA has permitted more drugs to be sold without a prescription. The evidence indicates that consumers support these changes and use the medications responsibly.

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Operation Rescue

The Civil-Rights Movement of the Nineties

Randall A. Terry

Rescue those who are being taken away to death; hold back those who are stumbling to the slaughter.
—Proverbs 24:11

All across America, Christians and non-Christians alike are risking arrest and imprisonment by peacefully blocking entry to abortion clinics. These acts of civil disobedience, which we call rescues, are designed to save lives by preventing abortionists from entering their death chambers, and to dramatize for the American people the horrors of the abortion holocaust. By going to jail, by using tactics such as refusing to give our names to the courts, we seek to focus attention on the nameless victims of abortion, the children who are sentenced to die without the protection of our justice system. We also seek to persuade the other victims of abortion, the mothers about to lose their children, to rethink their decision and choose life.

We believe in protecting life, not threatening it. Therefore, we are committed to nonviolence of word and deed, and have been able to keep that commitment in our rescues. We tell rescuers to resist passively, to go limp when arrested. We instruct rescuers to treat policemen with respect. It's not their fault that they have to arrest us, and many sympathize with what we are doing. In jail we pray and sing.

The first rescue took place in 1975, shortly after the Supreme Court's *Roe* v. *Wade* decision brought the abortion holocaust to all of America. But it is really only in the last year that we have had a large-scale rescue movement. Our first major media attention came May 1988, when more than 800 people peacefully staged a sit-in around abortion clinics in New York City and Long Island; in four days, 1,600 participants were arrested, including a Roman Catholic bishop, 2 monsignors, 15 priests, 4 nuns, a Greek Orthodox priest and deacon, 2 rabbis, and more than 20 ministers of various evangelical denominations. Then, beginning in July came a wave of rescues at Atlanta abortion clinics; 1,210 rescuers were imprisoned, with most spending on average five to seven days in jail. The most dramatic event so far took place on October 28 and 29, when rescues were staged in 32 cities, from San Francisco to New York. Nearly 4,700 people sat around abortion clinics, with another 5,000 standing with them. Over 2,600 were arrested. Many women that we know of (and, we hope, many we don't know about) chose life for their children, and are bringing them to term.

Civil Disobedience in the Bible

Although it is not necessary to be religious to be involved in the rescue movement, most of our members are following what we believe is a biblical mandate. Some of our friends think it is wrong to break the law under any circumstances. But the God of Israel has commanded men and women to rescue the innocent, to protect the fatherless, to do justice to the needy, to rescue those who are about to die from the hands of their killers, even if that means violating man-made law. Indeed, numerous examples from Scripture show the importance of peaceful disobedience to civil authority in order to save lives or to remain faithful to Higher Law. God rewarded the midwives of ancient Egypt who disobeyed Pharaoh's orders to put newborn Hebrew boys to death. He commended Rahab the harlot for disobeying the King of Jericho when she sheltered Joshua's spies. He protected Daniel when he was cast into the lions' den for petitioning God in violation of his king's decree. The magi ignored King Herod's order to report to him after finding the child Jesus. "We must obey God rather than men," said Peter and the Apostles in the Book of Acts.

The rescue movement also takes inspiration from more recent examples of peaceful civil disobedience, such as the Underground Railroad before the Civil War. A special hero of mine is Calvin Fairbank, who served five years in a Kentucky prison for helping slaves flee to Canada, then went right back to rescuing slaves when he was released, only to be imprisoned for another 15 years. After being pardoned in 1864, he married the fiancée of his youth, who had waited for him for two decades. This period of American history is one of Christendom's great examples of sacrificial love and the need to obey God rather than men. The participants were normal, everyday people who dared

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to do what was right, even if it was illegal.

Another model for me has been the ten Boom family of Nazi-occupied Holland. This 80-year-old man and his two daughters, Corrie and Betsie, were at the center of an underground movement that saved hundreds of Jews from capture by the Gestapo. The ten Booms had to steal food-ration cards from government offices, to falsify papers, and, should the Nazis raid their house, to be prepared to lie lest they send innocent people to their deaths. In 1944, Corrie and Betsie were sent to the concentration camps for their rescue work. Betsie perished in the Holocaust, but Corrie miraculously survived to chronicle their experiences in *The Hiding Place*. In the true spirit of Christian love, she later moved to Germany to help rebuild the shattered lives of the German people. Had more Christians been willing to join the ten Booms in disobeying unjust laws, the Nazi Holocaust might never have happened.

Martin Luther King's Inspiration

The civil-rights movement of the late 1950s and early 1960s has been a tremendous source of inspiration for me. By enlisting the black church leadership and then mobilizing thousands of churchgoers, Dr. Martin Luther King Jr. and other civil-rights leaders were able to overcome decades, if not centuries, of racial prejudice, and break the back of segregation and its unjust laws.

If blacks were forbidden to eat at a lunch counter, they would sit peacefully at the counter until arrested. If they were forbidden to exercise their First Amendment right to free speech and peaceful assembly, they gathered anyway. If they were told to ride in the back of the bus, they rode in the front. If they were not allowed to register to vote, they

The rescue movement takes inspiration from examples of peaceful civil disobedience, such as the Underground Railroad, the ten Boom family who helped Jews escape the Holocaust, and the American civil-rights movement.

went to the registrar and demanded to be registered. Wherever the boil of segregation existed, they would insert the lance of confrontation, so all the world could see the sickening truth.

While some radical groups were inciting violence in the mid-to-late '60s, the main leadership of the civil-rights movement believed in nonviolence of word, deed, and heart. Who can forget the sight of water cannons and dogs being turned on defenseless people? Remember the brutal

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Operation Rescue believes in protecting life, not threatening it. We instruct rescuers to go limp when arrested and to treat policemen with respect.

beatings the Alabama state police gave the marchers who dared cross the Edmund Pettus Bridge going out of Selma? Those trained in the nonviolent ethic remained true to their vision despite opposition and retaliation.

The peaceful, nonviolent, nonretaliatory suffering of the black civil-rights activists, many of them Christians, helped win the hearts of millions, and was the catalyst for the passage of the Civil Rights Act of 1964 and the Voting Rights Act of 1965. Blacks, willing to suffer and risk arrest in order to stand for what was right, created a tension in the nation that forced politicians to take action. Today we celebrate as a national holiday the birthday of a man who helped change unjust laws through civil disobedience.

Unfortunately, not many blacks are involved yet in the rescue movement. We are working hard to enlist more black leadership, but there is a need to build bridges, to build trust.

Appropriate Response to Murder

Most Americans, including politicians, do not take the pro-life movement seriously today. Why? Because our actions betray our words. We refer to abortion as murder, but do not act as if it is murder. Our cries of "Murder!" go unheard because our actions are so far removed from our rhetoric.

If a child you love was about to have his arms and legs ripped off, and you could intervene to save him, what would you do? Would you write your congressman saying, "My little friend is about to be killed, and I ask you to introduce legislation as soon as possible that would prevent such atrocities"? No! You would do whatever you could to physically intervene and save the life of that child. That is the appropriate response to murder.

I am convinced that the American people will begin to take the pro-life movement seriously when they see good, decent citizens peacefully sitting around abortion mills, risking arrest and prosecution as Martin Luther King Jr. did. Political change occurs after enough social tension and upheaval is created. We can save children and mothers today and ultimately end the American holocaust through nonviolent civil disobedience.

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MICHIGAN

Preempting Local Rent Control

JOHN A. BARNES

Rent control is one of the most pernicious and baffling public policies. By artificially controlling the price a landlord can charge a tenant for rent, rent control discourages the building of new rental housing and investment in existing housing, thus driving up the cost of an apartment for anyone not fortunate enough to have one when the rent control law was enacted. Naturally, this tends to hurt those who can afford it the least.

It is nearly impossible to find any respected economist or academic who is willing or able to defend rent controls. Nevertheless, the idea remains popular with those who have rent-controlled apartments—and they, not those looking for apartments, are the ones who vote. Consequently, local politicians in places where rent control exists "feel" they must support it, regardless of the cost to the community.

What to do about this state of affairs has long bedeviled those policymakers who would like to see it changed. Until some way of convincing people to part with a good deal like rent control is found, several lobbyists and local apartment owners and developers have hit upon the next-best thing: preventing it from happening in the first place.

"Detroit Has Enough Problems"

On July 5, Michigan's Democratic Governor James Blanchard signed into law a measure that forbids any municipality in the state from enacting rent-control laws. The bill had been approved by the Republican-controlled state Senate by a vote of 27-9 and by the Democratic-controlled House, 75-24, preemptively nullifying an August 2 ballot measure that would have instituted rent control in the city of Detroit (which passed anyway by a 2-to-1 margin).

This action brought cries of outrage from tenant organizations that were planning a major push for the enactment of rent-control ordinances in the state. "This bill takes away local control on a very important issue," fumed Democratic state representative Perry Bullard, who voted against the measure. The Detroit Organization of Tenants, which had gathered 12,000 signatures for the local ordinance, vowed to fight the legislation in court. It is unlikely they will succeed.

"We realized that if we didn't step forward and put forth our case, we were going to be stuck with something we could never get rid of," said one landlord who lobbied for the legislation in Lansing. "We've seen what rent control does in New York and elsewhere. Detroit has enough problems without rent control."

Indeed, the New York experience seems to have had some bearing on how the vote turned out in Lansing. Stories of multi-millionaires living in apartments for which they pay a few hundred dollars a month were widely circulated. Many landlords made it clear that if rent control went into effect, many would abandon a city that already has too many abandoned houses.

Michigan's action to "preempt" the passage of any local rent-control ordinance is not an isolated case. Spearheading what they hope will be a nationwide effort is the National Multi-Housing Council (NMHC), which was founded in 1981 specifically to combat rent control, and the National Apartment Association (NAA), both Washington, D.C.-based real estate lobbies.

Over the past two and a half years these two organizations have launched an ambitious campaign to prod state legislatures into passing these preemption laws. The possibilities in pursuing this strategy are strong. Right now, only five jurisdictions—California, Massachusetts, New Jersey, New York, and the District of Columbia—currently permit rent control. The efforts of the NMHC and the NAA have succeeded in adding four states (North and South Carolina, Georgia, and Texas) to the eight states (Arizona, Colorado, Florida, Louisiana, Minnesota, Oregon, Utah, and Washington) that have already forbidden or otherwise restricted rent control. The NMHC say they have four more states "targeted," but won't say which ones. "Tenants tend to get organized real fast if they find out," says Jonathan Kempner, executive director of NMHC. "We won't get all 50 states, but we'll take as many as we can."

Real estate owners and developers decided to go the state capitol route after finding nothing but frustration on the federal and local levels. In 1981, the U.S. House of Representatives passed a measure to deny federal funds to any city that maintains rent control. It had some strong supporters, such as Senator Alfonse D'Amato of New York; nevertheless, it failed to survive conference committee and died that year, never to be resurrected. The Reagan administration has made similar proposals, but to no avail.

Rehnquist Defers to San Jose

Unable to convince Congress to act with the weapons at

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its disposal, anti-rent-control forces fixed their hopes on the United States Supreme Court. They were to be bitterly disappointed when the court ruled 6-2 in *Pennell* v. *City of San Jose* that rent control was not unconstitutional. The San Jose ordinance would have required a city hearing officer to consider the financial hardship to a tenant in deciding whether to grant a landlord's application for a rent increase. The landlords argued that this situation obliged private citizens to subsidize low-income tenants and thus constituted an unconstitutional "taking" of property under the Fifth Amendment. Writing for the majority, Chief Justice William Rehnquist said the law represented a "rational attempt" to protect tenants from burdensome rent increases while still ensuring landlords a "fair rate of return" on their investment.

"Ideally, we would like a federal law [prohibiting rent control]," says Kempner, "but in the absence of that, the route through the state capitols is easier because it is less tied to purely local interests because the influence of the big cities, where these laws usually get passed, is diluted."

The NHMC and the NAA don't actually do the lobbying themselves in most places; they simply provide the logistical and intellectual support for the local realtors and other anti-rent control forces to do it themselves. The preemption offensive, however, is starting to get the attention of tenant groups around the country. They have for four years thwarted efforts in California that would limit the authority of local forces to enact rent control and in San Francisco, Mayor Art Agnos has pledged to tighten further the city's already strict rent-control law.

"The efforts to pass a preemption law in California during the 1970s failed and helped foster a tenants' rights movement there," says John Gilderbloom, a research associate at the Center for Policy Studies at the University of Houston, who has studied rent control extensively. Gilderbloom told *Governing* magazine, "Groups like the Multi-Housing Council may be planting the seeds of new tenant movements in some other states today."

Real estate developers decided to go the state capitol route after finding nothing but frustration on the federal and local levels.

Despite the dangers, NHMC feels it must plow ahead. "We have the arguments all on our side," says Kempner. "There's no reason we *can't* win."

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What to Read on Strategic Defense

An annotated bibliography by Keith B. Payne and Colin S. Gray

When experience is lacking, it is open season for the imagination. No one in history has waged nuclear war against a nuclear-armed enemy, and the evidence for successful nuclear deterrence is, to be polite, strictly circumstantial. Consequently, there are no true experts on nuclear war or nuclear strategy. Still, speculation abounds.

It can be difficult to appreciate just how ignorant we are. When Admiral Nelson led his fleet into climactic battle off Cape Trafalgar on October 21, 1805, he and his cohorts exemplified a living tradition of excellence in knowledge of how to fight and beat the French at sea. Britain and France had fought six major wars—under almost identical technological circumstances—in the period from 1689 to 1805. By 1805, there was a *body of knowledge* on naval strategy and tactics, which was known to be true. The British naval system could not be thoroughly fool-proof (or weather-proof), but it came as close as a government reasonably could ask.

By contrast, nuclear war is *terra incognita*. As Soviet theorists like to argue, "objective conditions" have changed considerably over the past 30 years (*i.e.*, the invention of long-range ballistic missiles, Soviet achievement of parity plus, and a growing list of nuclear powers). But, it is not obvious that real progress has been achieved in the understanding of nuclear strategy and nuclear war. Given the fortunate absence of nuclear war, it is scarcely surprising that defense professionals today do not *know* any more about nuclear policy issues than they did, say, in 1958. Works of speculative theory on nuclear strategy penned in 1959 or 1960 are almost as likely to be wise, or foolish, as works written today—notwithstanding the changes in "objective conditions."

The Strategic Debate

Any reading list of nuclear "classics" must begin with **Bernard Brodie**'s *Strategy in the Missile Age* (1959) and **Herman Kahn**'s *On Thermonuclear War* (or *OTW*, 1960). For conceptual thinking about nuclear-age defense problems, these two books had no equals at the time, or since. Brodie was virtually first in the field of strategic speculation about nuclear weapons (see his edited work, *The Absolute Weapon*, 1946). One of his central themes was: "Thus far the chief purpose of our military establishment has been to win wars. From now on its chief purpose must be to avert them. It can have almost no other useful purpose." Brodie, however, did not address the question of what to do if deterrence fails.

By contrast, Herman Kahn argued that the United States had to be prepared to wage successfully a variety of nuclear conflicts if it hoped to provide an effective deterrent. Few of the statistics in *OTW* should be treated with reverence, but for honest and fearless willingness to examine the possibilities of nuclear war, the book has no peers (with the arguable exception of the author's later work, *Thinking About the Unthinkable*, 1962). In addition to being brilliantly inventive, Kahn was the principal systematizer of nuclear-age strategic thinking. *OTW* lists and analyzes alternative nuclear strategies, explaining why the choices among them could matter. Kahn's strategic universe was one of almost limitless richness (those of us who were his colleagues remember all too well his penchant for exhaustive and exhausting taxonomies). Among the major and lasting contributions of *OTW* is its identification of three types of deterrence (of direct attack on our homeland; of very provocative actions against our allies and interests abroad; and of lesser, unfriendly actions), and the linking of each type to particular force requirements.

In his seminal 1959 *Foreign Affairs* article, "The Delicate Balance of Terror," **Albert Wohlstetter** told the world at large about the basic laws of nuclear deterrence theory. He explained that only forces that survive a first strike by an enemy are likely to be a deterrent and argued that the details of weapons, plans, and postures could matter for the stability of deterrence.

For those readers attracted to the rigorous logic of strategy, **Glenn Snyder**'s 1961 study, *Deterrence and Defense*, remains the most comprehensive theoretical treatment of the relationship between the two concepts in his title. Herman Kahn's *On Escalation* (1965) and **Thomas C. Schelling**'s *Arms and Influence* (1966) advanced the idea that we could apply violence in a controlled, measured fashion, deterring aggression through agile escalation or deescalation in response to enemy behavior. This strategy might work if the enemy plays by the same rules, but it proved fatal in the Vietnam war.

By the late 1960s, although the Joint Strategic Target Planning Staff (JSTPS) in Omaha reportedly was allocating

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most strategic weapons to military targets, the world of civilian policy-making had discovered the elegant simplicity of the concept of mutual assured destruction (MAD). The MAD concept denied the feasibility of either side's securing useful military advantage. Hence it laid the intellectual basis for attempting to use arms control as a means of codifying the "stabilizing" condition of mutual vulnerability to nuclear attack. The most eloquent expositions of MAD (and its related theory of stable deterrence) are an article by **Wolfgang K. H. Panofsky,** "The Mutual Hostage Relationship Between America and Russia" (1973), and a book by **Jerome H. Kahan,** *Security in the Nuclear Age* (1975). Their simple proposition that a MAD world is both inevitable and acceptable was challenged brutally in 1973 by **Fred Charles Iklé**'s powerful and influential article, "Can Nuclear Deterrence Last Out the Century?" Iklé, in characteristically vivid language, challenged the idea of a "nuclear immortality." He argued that deterrence could fail and that we should accept the intellectual challenge of thinking seriously about the dangers of war.

Two books in the mid-1980s, on opposite sides of the nuclear policy debate, provide entry-level analyses of the arguments on nuclear strategy that occupied the late 1970s and the early 1980s. Specifically, *The Illogic of American Nuclear Strategy* (1984) by **Robert Jervis** is a well-crafted critique of strategies based on counterforce and the possibility of a survivable nuclear war. Jervis argues that much deterrence is relatively easy to accomplish. *Nuclear Strategy and National Style* (1986) by **Colin S. Gray** argues, by contrast, that nuclear deterrence may be very difficult to maintain. Gray says some force structures provide much more effective deterrence than others. He advocates the strategic capability to threaten enemy military targets. His work also emphasizes the influence of national culture on strategic policy choices.

Complementary in argument to Jervis's elegantly designed theory is **McGeorge Bundy**'s thesis that nuclear deterrence really is existential ("Existential Deterrence and Its Consequences," 1984). Bundy states that the details of nuclear weapon stockpiles, postures, and plans do not matter very much with reference to deterrent effect. This position is also the overarching strategic viewpoint in the **Catholic Bishops**' much-publicized Pastoral Letter of 1983, *The Challenge of Peace: God's Promise and Our Response.*

In recent years a number of scholars have noticed that modern strategic theory has been almost wholly deductive in kind, and has presumed sober and fully informed decisionmaking by wholly rational leaders. A clear, rather optimistic message is conveyed by this type of thinking about deterrence. Specifically, although debaters differ in their prescriptions, they agree that stable deterrence can be *assured* if only the United States acquires or rejects some particular strategic system. Some recent studies have pointed to the very shaky empirical basis for contemporary deterrence theory, laying particular emphasis upon critically important psychological and political factors. The problem is not only that deterrence can fail, but that deterrence can fail for reasons unrelated to numbers and types of strategic forces. Whether deterrence "works" is determined by leaders with very human emotional and psychological characteristics and these characteristics can work against the type of cold calculation assumed in deterrence theory. The new thinking on deterrence is well developed in **Robert Jervis, Richard Lebow,** and **Janice Gross Stein,** *Psychology and Deterrence* (1985); **Richard Lebow,** *Between War and Peace* (1986); and in the article by **Keith B. Payne** and **Lawrence Fink,** "Deterrence Without Defense: Gambling on Perfection," (*Strategic Review,* Winter 1988/89).

In a typically prescient piece of analysis, **Edward N. Luttwak** poses the question, "An Emerging Postnuclear Era?" (*The Washington Quarterly,* Winter 1988). Luttwak argues that the intended targets of nuclear threats have learned how to sidestep the worst of nuclear dangers. Luttwak may overstate his argument, but he raises the right questions: What is, *and should be,* the relevance of nuclear weapons and nuclear strategy?

Two collections of essays are also worth citing: *Strategy and Nuclear Deterrence* (1984), edited by **Steven E. Miller;** and *Strategic Nuclear Targeting* (1986), edited by **Desmond Ball** and **Jeffrey Richelson.**

The Strategic Defense Debate

The Strategic Defense Initiative (SDI) announced by President Reagan on March 23, 1983, resulted almost immediately in a strategic policy debate that shows no sign of resolution. The only comparable airing of divergent views, the "great ABM debate" of 1967-1972, was also about the role and future of U.S. ballistic missile defense (BMD) programs. The controversy in both cases is not primarily about technology. Rather, it is about basic issues of national security policy in the nuclear age: Are deterrence and defense compatible? Should the U.S. priority be to deter, even if at the expense of defense? If deterrence is the priority, is strategic defense at all necessary or useful? Do efforts to defend against nuclear weapons drive the arms competition? How these basic questions are answered will determine whether U.S. policy provides a role for BMD and something comes of SDI.

The subject of strategic defense was apparently closed by the 1972 ABM Treaty banning any significant BMD deployment. Yet the closure of debate only masked for a time the lack of consensus on basic U.S. strategic policy. Students of Herman Kahn and proponents of strategic defense had not been converted, merely beaten politically. President Reagan's SDI rekindled the debate and initiated a revival of books, articles, and conferences on the subject. Consideration of BMD became respectable once again and the decision to abandon strategic defense was, at long last, subject to reconsideration.

Much of the commentary on SDI simply repeats positions from the earlier ABM debate. Consequently, decades-old books and articles are still useful. It was said that BMD and arms control are incompatible, that BMD would only act as a stimulus to Soviet offensive arms production, that it would compel a Soviet offensive reaction and an "ever spiraling, action-reaction" arms race. The flip side of that judgment is the notion that limiting BMD establishes the necessary basis for arms control success. **George Rathjens** presented these assertions in his prominent 1969 *Scientific American* article entitled "The Dynamics of the Arms Race"; the same arguments were the mainstay of the

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classic "anti-BMD" book of the 1960s, *ABM* (1969), edited by **Jerome Wiesner, *et. al.***

By 1972 this arms control argument against BMD had become part of the U.S. arms control catechism, and an entire generation of U.S. students learned it as if it were a law of physics. Much of the current arms control criticism of SDI simply is a restatement of that decades-old dogma. A prominent example of this rehash is the 1985 *Foreign Affairs* article, "The President's Choice: Star Wars or Arms Control," by four former senior officials, **McGeorge Bundy, George Kennan, Robert McNamara,** and **Gerard Smith.**

During the 1960s this arms control critique was not demonstrably wrongheaded, although a select few were skeptical. Prescient skepticism can be seen in the 1969 "pro-BMD" book, *Why ABM,* edited by **Johan Holst** and **William Schneider Jr.** This book contains still-valuable chapters, including those by **Herman Kahn, Donald Brennan,** and **Albert Wohlstetter.** Donald Brennan's words have proved prophetic: "I do not believe that any of the critics of BMD have even the beginnings of a plausible program for achieving major disarmament of the offensive forces by, say, 1980. Many of them seem committed to support forever a strategic posture that appears to favor dead Russians over live Americans." Similarly, William Van Cleave's testimony at the 1972 Senate SALT I hearings remains important reading because it explains the fallacies in the arms control theory and policy that rejected BMD. (See *Military Implications of the Treaty on the Limitations of Anti-Ballistic Missile Systems and the Interim Agreement on Limitation of Strategic Offensive Arms*).

Van Cleave and Brennan questioned the arms controllers' premise that the abandonment of BMD would lead to successful control of offensive nuclear weapons. Gerard Smith, the SALT I negotiator, testified in 1972 that with BMD limited the Soviets were committed "not to build any more of these ICBMs that have concerned us over the years. That commitment will extend to not building such things as SS-9s." We now know that the arms controllers were wrong: the Soviet offensive buildup did not stop; indeed it increased significantly with these ICBMs that have now continued to "concern us over the years." Colin Gray's 1981 *Survival* article, "A New Debate on Ballistic Missile Defense," reviews the ABM debate and demonstrates just how unkind history has been to the expectations of the "anti-BMD" school of arms control. Nevertheless, accepted wisdom dies slowly and the same arms control critique continues to score points in Congress against SDI.

Survivable Classics

Because the debate over SDI is primarily about strategy, several of the "classics" on strategy cited above contain much of the thinking now seen in the SDI debate. For example, Herman Kahn in both *On Thermonuclear War* and *Thinking About the Unthinkable* identified the need for strategic defense to establish the credibility of the U.S. deterrent and to reduce the level of destruction if deterrence ever failed. Kahn emphasized that a country unwilling to make preparations to protect itself from nuclear attack could hardly make credible threats involving nuclear weapons because such threats would be suicidal. He presented the intellectual counterweight to the influential thesis of Thomas Schelling in *Arms and Influence* and Glenn Snyder in *Deterrence and Defense* that such protection undermines stability by threatening the opponent's confidence in its nuclear threat.

These two contrasting positions, that strategic defense would likely be a net plus or a net hindrance for deterrence, are argued in the current SDI literature, without any progress upon the original reasoning. The negative position, along with repetition of the arms control critique of BMD, is presented in the **Union of Concerned Scientists** (UCS) publications, *The Fallacy of Star Wars* and *Empty Promises: The Growing Case Against Star Wars.* For a text that pushes the same points more subtly, see the **Office of Technology Assessment**'s 1985 *Ballistic Missile Defense Technologies.* This report has been more influential than have the UCS publications because it takes on the appearance of nonpartisan scientific analysis.

The conclusion that BMD is "destabilizing" or (at best) unnecessary is generally grounded in implicit judgments that deterrence based on mutual vulnerability has "worked" and will continue to do so, and that deterrence will remain a relatively simple matter of maintaining a survivable nuclear threat. Some question these convenient assumptions and conclude instead that given growing Soviet counterforce and strategic defense capabilities, U.S. SDI deployment would likely provide greater stability than otherwise will be available. A 1985 *New York Times Magazine* article, "Defense in Space Is Not Star Wars," by **Zbigniew Brzezinski, Robert Jastrow,** and **Max Kampelman,** argues that SDI would thwart any Soviet planner's effort to orchestrate a plausible first strike. The authors observe that limited defense is now strategically important, technically feasible, and affordable, and that societal protection should be a serious goal because avoiding war is more than a matter of balancing forces, it is a political process that may defy control. A similar assessment, written for a general readership, can be found in *Strategic Defense: "Star Wars" in Perspective,* by Keith B. Payne. It also rebuts the arms control and instability charges against strategic defense, and examines the moral rationale for SDI and the possible beneficial effect of defenses for the security of U.S. allies.

A useful booklet-length defense of SDI against the most commonly raised objections is *The Intelligent Layperson's Guide to "Star Wars,"* by **Joyce E. Larson** and **William C. Bodie.** Written for a general audience, it is an excellent introduction to the debate. Two additional texts sympathetic to strategic defense should be mentioned: **General Daniel Graham**'s *High Frontier,* and a booklet-length report from the **George C. Marshall Institute** entitled *Missile Defense in the 1990s.* Each presents a review for the layman of the technology that might constitute an early SDI architecture, prominently including space-based kinetic-kill vehicles (SBKKV). The Marshall Institute booklet is authored by technical heavyweights, yet has the virtue of brevity and readability. Graham's book and the High Frontier project are distinguished for having preceded President Reagan's speech, which lent respectability to the cause. Graham weathered the associated torrent of skepticism

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from inside and outside the Pentagon, and ultimately was vindicated in his emphasis on SBKKV and his early assertion of essentially what came to be known as the "broad interpretation" of the ABM Treaty.

The various programmatic elements of SDI and the "official line" as to its goals and timetables are best summarized in the SDIO's 1985, 1987, and 1988 *Report to Congress*. Almost none of the intellectual and policy underpinning necessary for a successful BMD program can be found in these documents, but they are helpful for an understanding of what activities actually constitute SDI (they also are of value for deciphering SDI's universe of acronyms). Another report of use to those interested in general reviews of the technology is *The Strategic Defense Initiative—Defensive Technologies Study* (1983). This is the "Fletcher Study," named after its director and now head of NASA **James Fletcher.** It reached optimistic conclusions regarding the technical potential for strategic defense and set forth the initial blueprint for the SDI program. Fletcher's own technical review is presented in his 1984 *Issues in Science and Technology* article, "Technologies for Strategic Defense": "A complete four-phase system . . . has the potential for protecting nearly all of the population—perhaps even greater than 99 percent, in my opinion—against massive nuclear attacks." Much less optimistic but still not devastating conclusions about the prospects for defensive technologies can be found in **Harold Brown**'s 1986 *Foreign Affairs* article, "Is SDI Technically Feasible?".

The Soviet Union appears to value greatly the potential for strategic defense and is not persuaded by the view that deterrence and defense are incompatible. There are numerous reviews of Soviet defensive programs. The most comprehensive unclassified official discussions on the subject are in the recent editions of *Soviet Military Power*, and the 1985 Department of Defense and Department of State publication, *Soviet Strategic Defense Programs*. A monograph-length treatment of the issue, which assesses the role and extent of Soviet defenses within the broad Soviet strategic framework is **William R. Van Cleave's** *Fortress USSR*.

Finally, two SDI anthologies deserve mention for their comprehensiveness and relative balance. These are *Promise or Peril,* edited by Zbigniew Brzezinski, and *Ballistic Missile Defense,* edited by **Ashton B. Carter** and **David N. Schwartz.** *Promise or Peril* is exceptional. It includes multiple and divergent discussions of key topics, strategic and arms control policy, Soviet defenses, allied considerations (**David Yost**'s chapter is particularly useful on this topic), and defensive technologies. There are also some valuable historical reviews such as **Benson Adams**'s chapter on the British 1930s debate on strategic defense—a debate that has many similarities to U.S. BMD debates. The moral of that story is that Britain decided in favor of defense, and saved itself as a result. *Ballistic Missile Defense* covers many of the same key topics but with fewer separate entries for each. A synopsis of virtually the entire strategic defense debate can be gained from the book's last chapter, which includes nine "personal views" of experts of widely divergent viewpoints.

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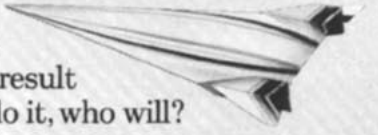

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LETTERS

Oliver S. Thomas, Perry Laukhuff, Bryce J. Christensen, Jane S. Shaw, John Fink

Madison's Antiestablishment Memo

Dear Sir:

Benjamin Hart has made an important contribution to the current church-state debate by pointing out that it was the churches, not secular politicians, that provided the impetus for the First Amendment's "wall of separation" between church and state ("The Wall That Protestantism Built," Fall 1988). For Tim LaHaye and other conservative Christians who decry church-state separation as the creation of "secular humanists," Mr. Hart's article is long overdue.

While I commend the author for his well-researched presentation, its glaring omission is its failure to discuss Patrick Henry's Bill for Religious Assessments, which prompted Madison's famous Memorial and Remonstrance and ultimately both the Virginia Bill for Religious Liberty and the First Amendment. Henry's bill would have provided the very type of nonpreferential aid to religion that Mr. Hart and an increasing number of conservatives suggest is permissible under the First Amendment. Madison described the proposed bill as "an establishment" of religion, using the same language employed in the First Amendment. According to Madison, such nonpreferential aid to religion was "a dangerous abuse of power." State aid to religion, wrote Madison, is "a contradiction to the Christian religion itself; for every page of it disavows a dependence on the powers of this world: it is a contradiction to fact; for it is known that this religion both existed and flourished, not only without the support of human laws, but in spite of every opposition from them . . . "

Time and again, the first Congress, which drafted the Bill of Rights, rejected proposals that would have allowed nonpreferential aid to religion, finally settling upon the broader prohibition contained in the First Amendment. The First Amendment addresses an establishment of religion in general, not *a* religion, a *national* religion, a state church, or a particular sect or denomination. Moreover, it forbids not only laws establishing religion but even those "respecting" an establishment of religion. Perhaps the most compelling piece of evidence is that when the First Amendment was drafted, the only "establishments of religion" still in existence were generic, multiple establishments that permitted nonpreferential aid to religion. Gone were the exclusive establishments of earlier years which established a single church or denomination. Thus, it is inconceivable that the drafters of the First Amendment did not intend to ban such nonpreferential aid when they forbade any law "respecting an establishment of religion."

None Dare Call It Prayer

Even if aid to religion were constitutionally permissible, who would (who could?) compose the prayer for the public schools? It would have to be a generic prayer to a generic god—a nondenominational, noncontroversial, inoffensive, lowest-common-denominator prayer that could be prayed by Jew and Christian, Moslem and Buddhist, Mormon and Jehovah's Witness, Protestant and Catholic, Unitarian and Trinitarian alike.

Dare we call such a civic ritual "prayer"?

The early Baptists, Presbyterians, Quakers, and other dissenters were right. The most beneficent thing government can do for religion is to leave it alone.

Oliver S. Thomas
Baptist Joint Committee On
Public Affairs
Washington, DC

Home-Grown Episcopacy

Dear Sir:

Mr. Hart is quite right in pointing out that the First Amendment prohibition of the "establishment of religion" was made to safeguard the exercise of religion, not to limit it. Zealots who seem to worship the phrase "separation of church and state"—a phrase nowhere found in the Constitution—have attempted in recent decades to limit much that should in no way have been affected by the First Amendment, including prayer in public schools and religious displays on public property.

However, Mr. Hart distorts the facts when he writes that "the [English] Crown was constantly threatening to install bishops in the colonies to administer American churches according to acceptable English ways." Although Anglicans in several of the northern colonies, and especially New Jersey and New York, wanted the British government and Church to create an American episcopate, this move was resisted or ignored by the greater part of American Anglicanism, especially in Virginia, Maryland, and South Carolina, where the Church was strongest. More to the point, the English bishops and the British government snubbed the idea

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every time it was advanced. Pastor Mayhew and others who warned against episcopacy were protesting not some threat or proposal made by the Crown for political purposes but proposals made by various Anglican ministries on strictly religious and ecclesiastical grounds.

Without bishops, Anglicanism was untrue to itself and a travesty of catholic teaching. Happily, through the insistence of the Connecticut Anglican clergy and the persistence of Dr. Samuel Seabury, the Church in America did finally receive the gift of episcopacy and thus returned to being what it had always claimed to be, a reformed catholic Church.

Perry Laukhuff
All Saints Anglican Church
Charlottesville, VA

Values and Vouchers

Dear Sir:

Benjamin Hart correctly notes that contemporary Americans too often forget how decisively religion shaped this country's founding. One reason for this forgetfulness is a public school system that distorts the past by secularizing the version it teaches. Nor is this distortion peculiar to history: it shows up in the teaching of literature, sociology, psychology, and many other subjects. As Alfred North Whitehead rightly declared, "the essence of education is that it be religious."

Unfortunately, Mr. Hart barely touches upon the religious implications of public education when he mentions in passing that Roger Williams and Thomas Jefferson would probably be horrified by the current use of "separation of church and state" as the justification for keeping religion out of the schools.

But then the establishment of a virtual state monopoly on education was not anticipated by America's founders. Indeed, many early state constitutions explicitly guaranteed that no citizen would be compelled to support leaders who did not share his own religious profession.

Until it is acknowledged that education necessarily shapes religious attitudes, the separation of church and state will remain no more than a myth useful for the secularists who control the state's monopolistic school system. Meaningful separation of church and state would require giving parents real choice in education (*e.g.*, through vouchers) so that they could choose schools consonant with their convictions.

Bryce J. Christensen
Center on the Family in America
The Rockford Institute
Rockford, IL

Benjamin Hart responds:

Advocates of strict separation between church and state always point to James Madison's Memorial and Remonstrance, his most radical statement on the issue. This document was an attack on then-Governor Patrick Henry's effort to pass "A Bill Establishing a Provision for Teachers of the Christian Religion." Henry was Madison's primary political enemy in Virginia; Madison would have opposed almost anything Henry favored and would have used just about any argument to defeat a Henry proposal.

On another occasion (October 31, 1785) Madison proposed his "Bill for Punishing Disturbers of Religious Worship and Sabbath Breakers," which imposed fines against offenders, as did another Madison bill "For Appointing Days of Public Fasting and Thanksgiving," passed by the Virginia legislature on the same day. Jerry Falwell no doubt would have been aghast at Madison's severe religious intolerance in these instances.

Events in Virginia during this period actually have little bearing on interpreting the First Amendment, which, in the Framers' view, regulated only the federal government, not the states, as the words "Congress shall make no law . . . " suggest. Massachusetts, New Hampshire, and Connecticut all had official churches supported by tax revenue long after the First Amendment was ratified—and this apparently posed no constitutional problem. In fact, the most vociferous proponents of the First Amendment were states that had official church establishments, because they feared federal interference in their religious practices.

Moreover, the First Amendment did not prevent the national government from holding a general religious perspective. It only prevented the establishment of a national church, such as the Baptist Church, as the official faith of the land. Thus, the Founders saw no conflict between the First Amendment and Congress hiring a chaplain. Congress also appropriated an enormous amount of money for the purpose of spreading the Gospel to the Indians. And it was Thomas Jefferson, usually thought to be the most secular-minded of the Founding Fathers, who signed legislation making churches tax exempt. One could extend for pages the list of laws passed by the early Congresses promoting a Christian perspective.

A public school prayer would have to be a generic prayer to a generic god, a lowest-common-denominator prayer that could be prayed by Jew and Christian, Moslem and Buddhist, Mormon and Jehovah's Witness, Protestant and Catholic, Unitarian and Trinitarian alike.

—Oliver S. Thomas

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By raising the issue of school prayer, Mr. Thomas really raises the issue of whose values should be taught. Education cannot be separated from values, and values cannot be separated from theology, which is why the federal government should not be involved in education. Along with the Founding Fathers, I do not share the strict separationist position advocated by Roger Williams. Education, including school prayer, should be a strictly local concern. Families would then have the freedom to move to communities that reflected their values. This is the genius of the federalist principle.

In reply to Mr. Laukhuff, the fact is that America's dissenting Protestant population was very worried about the threat of London imposing bishops on America's non-Anglican churches, since English bishops were then agents of the state. The historian, Arthur L. Cross, has written: "The efforts of Episcopalians to push their plan [to install bishops] was at least one of the causes tending to accentuate the growing alienation between Great Britain and her colonial subjects beyond the seas, which prepared the ground for the revolution to follow." After the Revolution Americans saw no problem with Episcopal bishops in America because these bishops were no longer agents of the English government. Americans did not fear church officials; they feared government tyranny.

Public Choice and Environmental Risk

Dear Sir:

James M. Strock ("Putting Our Habitat In Order," Summer 1988) rightly stresses the importance of the environment and urges conservatives to be more active in protecting it. But if his essay is a foretaste of the environmental priorities of a Republican administration, as the subtitle implies, conservatives concerned about the environment might well have been better off with Michael Dukakis as president.

Mr. Strock wants more of the same: more research, more enforcement, and more money. Specifically, his chief recommendations are: spending more money on research so that risk assessment (that is, scientifically weighing one risk against another) can be institutionalized at the Environmental Protection Agency (EPA), and tougher enforcement of Superfund, even though he admits the program is badly in need of overhaul.

Strock's hope that pouring money into risk assessment will change EPA priorities is a pipe dream.

—Jane S. Shaw

Yes, risk assessment is a useful scientific tool. But Mr. Strock's hope that pouring money into risk assessment will change EPA priorities is a pipe dream. He himself points out that the priorities at EPA reflect public opinion. Does he expect this to change if there are more scientists at EPA headquarters?

Tales of Love Canal

If Mr. Strock were informed about public choice (the economic body of thought for which James Buchanan received the 1986 Nobel Prize) he would know that the public is always going to be ignorant of scientific details and easily influenced by the way the issues are treated in the press. Strock points out that scientists at EPA and elsewhere know that chemical wastes are largely an overrated danger. But few members of the public realize that the federal Centers for Disease Control have found *no* permanent human health damage from the most famous waste dump, Love Canal. Nor have other studies of highly publicized waste sites such as Times Beach shown any epidemiological evidence that chemicals from these sites have caused permanent or long-term damage to human health. The average American voter, shown by polls year after year to be unable even to name his or her own congressman, cannot be expected to know any of this in the current atmosphere created by environmental activist groups and the press.

Career professionals at the EPA know most of the relevant facts, but do not say them very loudly. Most are dedicated to saving the world from pollution (and probably from chemical-spewing multinational corporations, too). The public's fear of pollution heightens the importance of the EPA and, from the EPA's viewpoint, has the valuable side effect of keeping budgets up.

On Superfund, Mr. Strock shows a glib willingness to use the power of the state with little regard for any consequences. He argues that enforcement of Superfund should be strengthened—even though the program is "not working," and is "beset by political crosscurrents."

As Mr. Strock correctly explains, the Superfund law drastically expanded traditional common-law remedies, giving the government "extraordinary enforcement authorities." Any single disposer of toxic waste may be forced to clean up an entire site, "irrespective of fault, causal link to environmental harm in question, or the number of additional parties who also may have contributed to the site in question, or the fact that the disposal at issue occurred prior to the passage of Superfund (perhaps even in compliance with then-existing requirements)." The potential penalties are so enormous that companies are understandably holding back rather than coming forward to settle.

Mr. Strock's solution to this mess? An "invigorated enforcement program" to make these recalcitrant companies face up to those penalties, even though most situations do not involve any immediate, serious health threat. Conservatives who be-

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lieve in a limited role for government should cringe at this proposal.

Free-Market Accountability

Mr. Strock is right to call for leadership, but leadership means something other than following the latest opinion poll. The nation needs leaders who understand the causes of pollution problems and who can take the lead in developing institutions that make people and corporations accountable for their actions, while leaving them free to innovate and to prevent harms in cost-effective ways.

Our tradition of private property rights and liability law, often backed by guarantees of solvency, such as bonding and insurance requirements, assures accountability for many kinds of actions—protecting against damage by a reckless driver, for example. It has been less than fully effective in the case of pollution, because damages are difficult to measure and may not appear for many years, and the precise cause of damage is difficult to ascertain. This has led to the introduction of government controls; yet these same factors, plus others inherent in the political process, have made public policy at least as ineffective.

Jane S. Shaw
Political Economy Research Center
Bozeman, MT

James Strock responds:

Ms. Shaw has at once misapprehended my arguments and demonstrated anew why some who call themselves "conservatives" make themselves irrelevant to the environmental debate of our time.

Ms. Shaw denigrates the need for increased environmental research. Yet, if conservatives are to demonstrate that existing environmental priorities are misplaced, surely we must first marshal the facts. It is no better for conservatives to govern on the basis of prejudgment and intuition than it is for liberals.

Ms. Shaw adds that the gathering of such data is pointless because the public is too unsophisticated to discern its own interest. Her view is elitist in the extreme. The problem in environmental policy today arises not from the American people, but from political leadership that has not presented choices in a comprehensible manner. Quantitative risk assessment is important precisely because it holds the promise of democratizing environmental decision-making. Ms. Shaw, like some liberals, does not trust the public to make such decisions. I do.

Inexplicably, Ms. Shaw attacks the suggestion that the Superfund law be better enforced. Superfund is not a school debate topic for 1989—it is a federal statute. The proper course for a conservative government is not to haphazardly and halfheartedly enforce the law, but, in keeping with the public will, to enforce it with vigor and imagination. Conservative political leaders will then gain the experience necessary to develop effective reforms and the credibility to convince the American people of their merit.

If conservatives are to be granted authority in areas such as environmental protection, where even Milton Friedman accepts the unavoidability of government intervention, we must demonstrate that we are worthy of political leadership. Ms. Shaw, of course, remains free to circle her theoretical wagons, far from the concerns of the American people, whose judgment she blithely belittles. She cannot, however, expect the same people to entrust their health and national security to those whose views are formed in a crucible of willful, heedless, and arrogant isolation.

Indelibly German?

Dear Sir:

As André Ryerson noted in the opening of "The Munich Men" (Summer 1988), the passage of time routinely changes the profile of events. In the case of the German Sudetenland, he is right. His article on the Sudeten Crisis of 1938 completely ignored the aggression, discrimination, and massacres committed by Czechs against Germans during the Czech aggrandizement years, 1918-1921. The memory of the massacre at Aussig on March 4, 1919, for example, is a key factor in any discussion of the Munich Agreement.

"Aggression and expansion," observes Mr. Ryerson, "if allowed to go unchecked, begets more and worse aggression." Just when in history was that magic moment after which aggression was "evil" and before which aggression was "good"?

Czech the Facts

In 1919, the Czechs committed aggression against the German Nation (the term nation is used in the philosophical context employed by Johann Gottfried von Herder—not in the context of political maps) by annexing the Sudetenland against the expressed wishes of the indigenous population. Germans had been living in Znaim, Budweis, Eger, Komotau, Reichenberg, and Troppau for longer than Europeans had been living in New York or Washington. Does Mr. Ryerson approve of 1919-era Czech aggression as opposed to 1938-era German "aggressions"?

The roots of Munich, let us never forget, go back to the Paris "Peace" Conference where the right of self-determination was denied to us Germans in the Sudetenland, as well as Hungarians in southern Slovakia, Poles in Tatra, and the Slovak nation. We Germans were denied that right for two very superficial reasons: the Allies did not want to strengthen Germany (an argument that says volumes about the peaceful intentions of the "peacemakers"), and Bohemia and Moravia were historical entities and thus should not be broken up.

This latter point shows how selective the Czechs and the Allies were. Austria-Hungary was also a historical entity, yet that fact did not deter the Czechs from breaking away. Silesia was also a historical entity, yet that did not faze the Czechs as they ruthlessly annexed Hlutschin.

Echoing a popular myth, Mr. Ryerson condemns the noble Munich Agreement as an act of appeasement towards an insatiable dictator. But what today is called appeasement was even during the Munich crisis viewed by many in the "democracies" as the fulfillment of Wilson's promise to the people of the former Hapsburg Realm.

Bringing up present-day Afghanistan and Nicaragua in an article on

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righting the wrong done to the German Nation in the Sudetenland illustrates Americans' woeful lack of historical knowledge. Germany had every right to adjust the German-Czech boundary because the Sudetenland is indelibly German. Russia has no right to invade Afghanistan because Kabul does not rule Russian-populated lands.

John Fink
Brooklyn, NY

André Ryerson responds:

Mr. Fink's defense of the Munich Agreement stands on several exceedingly frail reeds. To begin with, his belief that the Sudeten Germans suffered intolerable persecution from the Czechs (a thesis advanced in the 1930s by German propagandists) has been sustained by no reputable historian. The Czech laws regarding national minorities were generous by any standards. It is true—and the Czech government of Benes conceded—that too many government officials in the Sudetenland did not speak German, and so detracted from the rights of German speakers to use their own language when dealing with officials. There were also restrictions of movement due to the threat of invasion from Germany just across the frontier. Benes agreed that these restrictions could be lightened. But the leader of the Sudeten Germans, Konrad Henlein, refused to come to any agreement. He imposed fresh demands each time the central government acceded to his previous demands. Henlein did this for a simple reason: he was a Nazi under direct orders from Hitler to keep the pot of Pan-German nationalism boiling by refusing to agree to anything with the Czech government that might settle local dissatisfaction.

It is worth comparing the Czech policy for minorities with what Henlein would have imposed. The Sudetendeutsche Heimatfront movement Henlein launched in 1933 was openly pro-Nazi and disseminated violently anti-Semitic propaganda. Henlein, moreover, happily made himself the tool of German foreign policy, meeting with Hitler personally to obtain his orders. By contrast, Czechoslovakia alone among the nations of Central Europe was a democracy, attentive as no other to the rights of its minorities. Did Hitler, with his Nuremburg "race" laws in 1935, promise better? The question answers itself.

This brings us to the matter of secession. Mr. Fink seems to believe that the right to secession is absolute. Americans fought a civil war in the belief that it is not, that other considerations—including the morality of slavery—should be weighed in the balance. One such consideration, in the case of Czechoslovakia, involved its very creation as a modern state: the need to make it industrially viable by including the Sudetenland in its borders (which conformed in any case to the traditional frontiers of Bohemia), and thus serve as an obstacle to German military expansionism. The fear of such expansionism was justified in 1918 by the evidence of WWI and in due course by the aggressive acts of the new Nazi regime.

Mr. Fink appears not to know who headed Germany at the time of the Munich meeting. In 1938 the leader of Germany was a man named Adolf Hitler, by general agreement one of the most aggressive, unbalanced, and evil men who ever lived. Prior to the Munich Agreement he had given to any alert observer, by his words and by his acts, clear indications about his character, his policies, and his intentions. The proof that he was not merely interested in defending the rights of ethnic Germans was his military involvement earlier with the Fascist cause in Spain, his stated ambition in *Mein Kampf* to expand Germany indefinitely eastward, and the fact that once the Munich Agreement handed Hitler the western portion of Czechoslovakia he promptly seized the rest, and then invaded Poland.

None of this—the preamble to World War II, and what the West might have done to prevent it—seems to interest Mr. Fink. It was, however, the central concern of my article. Its lessons stand for those who believe history has something to teach us. Aggressors are not dissuaded from their designs by weak and poorly armed democracies, but only by those that are strong, clear-headed, and well-equipped. ☎

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On the Sandinistas:
Contra military commander Enrique Bermudez charged in POLICY REVIEW that "the Sandinistas have played the United States for a fool." *New York Times*

On Jeane Kirkpatrick:
In a POLICY REVIEW interview Jeane Kirkpatrick said: "The single most important change in my views in the last decade has been a much greater appreciation of market economics." *John Chamberlain, King Features Syndicate*

On Our Judeo-Christian Heritage:
In POLICY REVIEW Rabbi Joshua Haberman said that the bulwark we have against tyranny in this country is our firm belief in God and our firm belief in some standard of authority above government. *Pat Robertson, "Candidates '88 with Marvin Kalb"*

On the Evil Empire:
Picking up from President Reagan's phrase "evil empire," POLICY REVIEW's article, "Seventy Years of Evil," encapsulates some of the grimmer episodes of Soviet history. It is important reading. *Boston Globe*

On SDI:
Bob, you've talked about support for SDI, but you wrote in POLICY REVIEW that you would use it as a negotiating chip. *Representative Jack Kemp to Senator Bob Dole, NBC Presidential Debate*

On Republican Party Politics:
Jack Kemp elaborates the anti-establishment conservative case in POLICY REVIEW: "Despite its smaller size, only the activist wing can set the direction for the whole [Republican] party." The "establishment wing" is merely interested in "managing the status quo." *Sidney Blumenthal, Washington Post*

On Conservatism's Parched Grass Roots:
Amy Moritz wrote in POLICY REVIEW that the current state of the conservative movement is weak because in most cases leaders don't call on the millions of grass-roots activists except for financial contributions. *Washington Times*

On Media Bias:
ABC-TV reporter Rebecca Chase admitted that network producers, hell-bent on locating dire hunger, asked her "to scour the small towns of Mississippi to find hungry people . . . but I couldn't find any," she said in POLICY REVIEW. *Fred Barnes, Reader's Digest*

On the Family Farmer:
From "family farmer" Blake Hurst's article in POLICY REVIEW: "We don't really like accepting subsidies. But if we didn't enroll in government farm programs, our corn would be worth $1.80 a bushel; because we participate, we receive $3. Everybody has his price. Now you know ours." *Wall Street Journal*

On Crime and Punishment:
[In POLICY REVIEW Charles] Colson, former special counsel to President Nixon, makes a pretty good case for alternative sentencing, including restitution to victims of nonviolent crime. *William Raspberry, Washington Post*

On Angola:
Savimbi's strategy, as he outlines in POLICY REVIEW, is " . . . to raise the costs of the foreign occupation of Angola until the Cubans and the Soviets can no longer bear the burden." *Norman Podhoretz, Washington Post*

On Anti-Communism:
POLICY REVIEW . . . is the organ of the Heritage Foundation—the brain center of the most rabid reaction. *Pravda*

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policy REVIEW

Many people do not want just a *laissez-faire* government. They want a safety net, and protection for the elderly, and a defense of civil and human rights. To capture the Congress, we have to convince people that a Republican Congress is not going to do away with unemployment insurance, Social Security, or compassion for the disadvantaged.

Jack Kemp
Is George Bush Mr. Right?

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